BUILDING CIVIC INFRASTRUCTURE ORGANIZATIONS: THE LILLY ENDOWMENT'S EXPERIMENT TO GROW COMMUNITY FOUNDATIONS

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To: Xinlan Jin, and Zongsheng Wang

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BUILDING CIVIC INFRASTRUCTURE ORGANIZATIONS: THE LILLY ENDOWMENT'S EXPERIMENT TO GROW COMMUNITY FOUNDATIONS

In the past 50 years, we have seen significant public and philanthropic investment in building civil society in countries around the globe. This includes initiating community foundations to support the development of vibrant communities and civic life. Yet we have little knowledge about why some initiatives bear fruit and others fail to do so. More specifically, why some community foundations initiated by institutional funders are able to garner local giving necessary to sustain themselves and others are not.

This dissertation contributes to our knowledge about such initiatives by researching the Lilly Endowment's GIFT Initiative (Giving Indiana Funds for Tomorrow), a project providing incentives to start nearly 60 new community foundations and revive 17 existing community foundations in Indiana since 1990. I employed mixed methods and three sources of data: historical archives, statistics of community foundations' financial information and community demographics, and case studies of four community foundations.

First, I found two existing explanations offered in the literature did not account for the lack of local support for the community foundations I studied. More specifically, I found that high level of income and wealth does not necessarily lead to high level of giving to community foundations and the lack of community identity is not the primary reason explaining community foundations' struggles in attracting local donations. Rather the study shows that social capital is crucial for garnering local giving through the mechanism of facilitating information sharing. Second, I examined the long-term effects

of matching grants, a key strategy used by Lilly Endowment to leverage local giving. I found that long-term provision of matching grants might reduce organizations' incentives to seek funding sources on their own. My dissertation lends further insight into the sustainability of civic infrastructure organizations, a popular institutional model for building local civil society even today.

Lehn Benjamin, Ph.D. Chair

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CF	Community foundation
CICF	Community Foundation of Central Indiana
CIO	Community Infrastructure Organization
DAF	Donor-advised Fund
GIFT	Giving Indiana Funds for Tomorrow
LISC	Local Initiatives Support Corporation
WINGS	Worldwide Initiatives for Grantmaker Support

Chapter 1. Introduction

In 2014, local government mobilized over three million dollars to grow community foundations in China. Community foundations are placed-based organizations gathering funds from individual and institutional donors and support nonprofit organizations and philanthropic projects. They serve as the steward of donors, grantmakers for nonprofit organizations, as well as the conveners of communities (C.S. Mott Foundation, 2013; Graddy & Morgan, 2006). The first community foundation was established in Cleveland, Ohio in 1914. Nearly a century later, in 2008, the model of community foundation migrated to China where civic leaders experimented with the model. The success of community foundations founded by Chinese civic leaders in improving service provision and community governance attracted the attention of the Chinese government. They launched the initiatives of community foundations as an exploration of a new form of community development in response to the deficiency of public services and the lack of accountability to emerging social needs.

The Chinese government was not alone in the obsession with community foundations. In the past forty years, leading American private foundations, including C.S. Mott Foundation, Ford Foundation, and Kellogg Foundation launched large-scale initiatives to support the development of community foundations in the U.S. and around the world. They expected community foundations to execute staying power and provide funding for communities when external resources were depleted (C.S. Mott Foundation, 2013). The initiatives of community foundations are also part of the movement to grow community infrastructure organizations, or those organizations that support the local nonprofit sector, promote civic engagement, and create social inclusion at the local level.

These initiatives are premised on the belief that sustainable social change should be led by local people with local resources and local knowledge, and a vibrant and healthy system of civil society organizations that community infrastructure organizations help support is the bedrock for democracy (Abramson & McCarthy, 2012; Brown et al., 2009).

In 2015, I received a grant to research the development of community foundations in China. About 30 community foundations were established by the government initiatives, but half of them were completely dysfunctional and the rest were struggling with obtaining local giving. They were not able to perform as qualified grantmakers and conveners as expected by the Chinese government. The explanations offered by some practitioners and policy-makers regarding the failure of these foundations were that community foundations did not fit the “soil” of China due to the lack of civic and philanthropic culture as well as the tight control from authoritarian government. Their accounts resonate with what has been found about the initiatives to seed civil society organizations in other countries: the incongruence with the social, cultural, and regulatory environment is the primary reason for their failure (Hammack & Heydemann, 2009; Ottaway, 2000). Nevertheless, I was not completely convinced by this explanation, since the community foundations founded by Chinese civic leaders, as opposed to the community foundations initiated by government, have achieved great success.

With the belief that community foundations can grow in China if the initiatives are properly designed and implemented, I went back to the U.S. and contacted key informants involved in Lilly Endowment’s GIFT Initiative (Giving Indiana Funds for Tomorrow)—a project supporting the growth of community foundations in every county of Indiana since 1990, which was perceived as a successful project by local nonprofit leaders. I was curious about how the initiative was implemented and what made it successful. I believed that the successful experiences of the GIFT Initiative can shed light on the practice in China.

Nevertheless, when I dug deeper into the GIFT Initiative, I found that sustainability of community foundations remained a challenge. Despite all the advantages that the GIFT Initiative had—Lilly Endowment was a reputable local funder with enormous financial and network resources, the program was well-designed, and there was a rich tradition of philanthropy and civic engagement in Indiana communities—informants raised concerns about the long-term sustainability of Indiana community foundations given shrinking economic base in small communities, changing social structure, declining identification with place-based communities, competition with national donor-advised funds (DAFs),[1] and the transformation in the culture of philanthropy, where people want to make impacts during their lifetime rather than leaving a legacy after death. I then realized it is valuable to examine the sustainability of Indiana community foundations in more depth. In particular, I wondered what might explain the performance and challenges of attracting local giving, given these favorable conditions, and how might that explanation help us better understand the sustainability of community foundations elsewhere?[2] The hope was that this research on the GIFT

[1] According to National Philanthropic Trust (2019), a donor-advised fund, or DAF, is a giving vehicle established at a public charity. It allows donors to make a charitable contribution, receive an immediate tax deduction and then recommend grants from the fund over time. Financial corporations, including Fidelity, Schwab, and Vanguard operate DAFs. The DAFs operated by these financial institutions is named as "national DAFs" in this dissertation.

[2] Local giving is an important condition for sustainability, but it does not equal organizations' sustainability since the total amounts of giving, grant-making, administration, and investment strategy should be considered along with giving.

Initiative might not only inform institutional funders' support of community foundations in the U.S. but also the seeding and diffusion of community foundations to the rest of the world.

To begin to answer my question, I turned to the literature. First, I reviewed the literature on community foundations. This literature was quite limited, and almost no research systematically examined the conditions for the sustainability of foundation-initiated community foundations except a few practitioner reports. In general, the literature suggested that economic resources, in particular income and wealth, are a necessary condition for attracting local giving for community foundations. I then looked to two other strands of literature—community development and civil society assistance. They have considered similar questions, namely why civil society organizations initiated by institutional funders have or have not garnered the local support necessary for long-term sustainability. This literature suggested the lack of legitimacy and accountability to communities as well as philanthropic paternalism was the reason for the failure of these initiatives.[3]

But my preliminary fieldwork suggested that other factors may be important in explaining community foundations' performance of garnering local support. First, unlike previous studies which have found that giving to community foundations and other nonprofit organizations is significantly correlated with the income/wealth of an area, I discovered that for Indiana community foundations, high levels of income did not necessarily predict high levels of giving. Rather most community foundations in wealthiest areas—suburban counties—encountered challenges in fundraising. I wondered

[3] Philanthropic paternalism means that funders assume they know what the problem and solution are and disregard the demands of the recipients (Salamon, 1987).

what other community conditions besides economic resources explain the struggle of community foundations to garner local financial support. My informants and the literature suggested that community identity was a possible explanation: people in wealthy suburban counties might not feel attached to where they lived because they worked in the city, and even if they did, they might feel more attached to the city or town in which they lived rather than the county. But as I discuss in Chapter 4, I did not find strong evidence to support this explanation. Instead I found that dense local ties that once existed among community members were overshadowed by rapid population growth and increasing connections with the central city. This transformation in social relations posed adaptation issues to community foundations that had not been overcome by community foundation staff, which resulted in the donors being unaware of the community foundations.

Second, as hinted at above, the strategies used by foundations to seed new local civil society organizations were crucial for their success. In addition to understanding the conditions that might matter for whether community foundations were able to garner local support, I also wanted to understand the specific strategies used by institutional funders to launch these community foundations. Matching grants were widely used in the initiatives of community foundations to leverage local giving, and Lilly Endowment continuously provided matching grants to community foundations for twelve years. Yet the long-term effects of matching grants have not been well researched. In other initiatives of civil society organizations, it was consistently found that the programs and organizations that institutional funders supported closed soon after the flows of grants stopped (Watkins, Swidler, & Hannan, 2012). Did Indiana community foundations continue to raise funds when Lilly Endowment suspended the match? How did the matching grants affect the fundraising of community foundations? I found that although Indiana community foundations continued to sustain without the matching grants from Lilly, the average giving declined by over 40 percent, a larger-than-expected decrease compared to previous research using lab and field experiments. Although matching grants incentivized some foundations to increase their fundraising expenses, they hindered other foundations' efforts to seek funding by themselves.

By focusing on these two questions about community conditions and matching grants, this research contributes to our understanding of community foundation sustainability and may also inform institutional funders who are interested in initiating community foundations and other types of community infrastructure organization in the future when they deliberate which communities to support and how to support them.

My dissertation is organized as follows. Chapter 2 starts with a review of literature. Here I list the reasons identified by scholars that can explain why some community foundations initiated by institutional funders garner local support while others do not. I then explain why examining the GIFT Initiative advances our knowledge in this field and describe the data and methods for my research. Chapter 3 offers a brief history of how the GIFT Initiative was initiated and implemented. It provides background information regarding how this large scale initiative of community foundations functioned. In Chapters 4 and 5, I discuss what community conditions other than income and wealth affected local giving to community foundations and report my findings from the case studies of four wealthy suburban community foundations. Chapter 4 focuses on the issue of community identity, and Chapter 5 explains how changing structures of social relations affected giving to community foundations. Chapter 6 presents an analysis of the long-term effects of matching grants in which I compared the trend of giving to community foundations in Indiana and Ohio and examined the changes in fundraising expenses of Indiana community foundations. Conclusions and implications for theory and practice are discussed in Chapter 7.

Chapter 2. Literature Review and Methodology

First, I discuss the significance of the research question examined in this study: Are community foundations able to garner local community support and if not, why? Here I review the literature that discusses community foundations as part of a larger set of what some authors have called infrastructure organizations, which are intended to help solve community problems and support the development of a vibrant civil society. Although some of these organizations were originally started by local community elites to increase the efficiency of charity, over time they have taken on other meanings, as large private foundations have seen them as a way to build local civil society in the context of larger democratization efforts starting in the 1980s. Second, I outline possible explanations for the success and failure of community foundations initiated by institutional funders in generating local support, including: economic resources, legitimacy, philanthropic paternalism, and accountability. Third, I explain how studying Lilly Endowment's GIFT Initiative contributes to our knowledge of how and under what conditions external resources from institutional funders can translate to local support to community foundations. Finally, I described the data and methods of my research.

2.1 The Initiatives to Build Community Infrastructure Organizations and Community Foundations

Community infrastructure organizations, as defined by Abramson and McCarthy (2012), are organizations supporting other nonprofit organizations and seeking to improve their effectiveness. I adopt this concept and define community infrastructure organizations (CIOs) as place-based organizations that support nonprofits in communities. The most well-known CIOs include the Charity Organization Societies, United Ways, and community foundations. They emerged in the late 19th and early 20th centuries as responses to the inefficiency of philanthropy (Abramson & McCarthy, 2012; Brilliant, 2000; Hammack, 1989).

CIOs serve as the backbone organizations for community-based organizations which provide opportunities for citizens to come together to work on common issues and in the process create social capital and solidarity (Putnam, 2001; Tocqueville, 1835). With privatization and devolution, community-based organizations become the primary deliverers of services and advocates for the disadvantages (Baggetta, 2009; Brown et al., 2009). Nevertheless, most of these organizations are small to mid-sized, and constantly suffer from declining memberships, unstable government grants, and limited technical capacities (Francis & Talansky, 2012). They rely on CIOs to channel financial and capacity-building resources from large institutional funders (Brown et al., 2009).

Since the 1970s, government and foundations increased their investments in CIOs in the U.S. to improve the effectiveness, technical capacity, and accountability of community-based organizations (Hoffman, 2012; Liou & Stroh, 1998; Walker, 1993). These projects include Ford Foundation's Local Initiatives Support Corporation (LISC) and the Administration for Children and Families' Compassion Capital Fund Demonstration Program (Hoffman, 2012; Liou & Stroh, 1998; Shea, 2011). CIOs help federal agencies and national foundations reach community-based organizations which in turn serve and empower communities. CIOs not only function as the conduits of funding but also reduce transaction costs for funders by identifying local civil society organizations, monitoring the use of funds, and evaluating outcomes (Benjamin, 2010b; Shea, 2011).

American funders not only supported CIOs domestically but also used CIOs as vehicles to build civil societies in other countries. For example, American foundations, such as Ford Foundation sponsored infrastructure organizations including membership associations, affinity networks, and advocacy, capacity-building and research organizations worldwide (WINGS, 2014). This trend was associated with the end of the Cold War when ideological tensions decreased and neoliberal democracy that privileged capitalism and free market became a widely accepted value. The logic of these initiatives was often accompanied by references to what has been termed the neo-Tocquevillian perspective: that a strong civil society and a vibrant nonprofit sector are the foundation for democracy (Edwards, Foley, & Diani, 2001; Ottaway & Carothers, 2000).

Community foundations are a type of CIO supported by national funders. Since 1980s, American private foundations launched a number of large-scale initiatives of community foundations to empower communities since the 1980s. In 1979, the C.S. Mott Foundation implemented the first national project to support community foundations, which later became an international project. In 1991, the Kellogg Foundation started Michigan Community Foundations' Youth Project, and the number of community foundations in Michigan grew from 33 to 86 (Johnson Center for Philanthropy, 2013). Another major project was the Ford Foundation's Rural Development and Community Foundation Initiative that has supported community foundations in rural areas since 1993. James Irvine Foundation, Hewlett Foundation, MacArthur Foundation, and Knight Foundation also joined forces to support the growth of community foundations in specific regions of the U.S. (Sacks, 2000; Struckhoff, 1991). Meanwhile, American private foundations brought the idea of community foundations abroad and supported their establishment in the U.K., Puerto Rico, Mexico, Russia, and Africa. Currently, there are more than 700 community foundations in the U.S and over 1800 community foundations worldwide (C.S. Mott Foundation, 2013; Foundation Center, 2016). Over 50% of the existing community foundations in the U.S. and worldwide were established after the 1990s, and American private foundations played a key role in their growth (C.S. Mott Foundation, 2013; Topolsky, 2008)

Two conditions fueled private foundations' support for community foundations. First, the Reagan administration cut federal funding for community social service agencies, and the funding to international NGOs was also cut back after the end of the Cold War, which threatened the viability of social safety net and community-based organizations in under-developed areas. Private foundations expected community foundations to channel resources to community-based organizations to compensate for Reagan-era cuts (Sacks, 2000). Second, supporting these initiatives aligned with foundations' beliefs that sustainable social change should be led by local people with local resources and local knowledge. As Russell Mawby, the CEO of the Kellogg Foundation pointed out, "The most exciting solutions to today's problems are not those coming from Washington or from Lansing. They are those coming from our local communities. Local leaders are the ones who are closest to the problems, and are the ones best equipped to solve them" (Johnson Center for Philanthropy, 2013).

Millions of dollars and countless hours of staff time have been invested in community foundation initiatives as well as other CIOs in the U.S. and worldwide,[4] yet

[4] There is no comprehensive estimation of the amounts of grants to community foundations and CIOs from private foundations and governments. Based on the information from several private foundations, the amounts were significant: C.S. Mott Foundation committed over 150 million dollars from 1979 to 2012;

the discussions about their strategies, processes, and outcomes are scarce (C.S. Mott Foundation, 2013; Struckhoff, 1991; WINGS, 2014). In particular, foundation initiated community foundations' efforts to garner local support necessary for sustainability did not always bear fruit. For example, Akpilima-Atibil (2018) indicated that in Africa, none of the Ford-initiated community foundations raised up to 3% of their resources locally. In East Europe, community foundations depended on international funders and failed to actively engage local donors (Sacks, 2000). Considering that national institutional funders continue to support the development of community foundations, along with other CIOs, it is important to understand the challenges of current initiatives, not only because such research can help us understand the success of this particular model of civil society development, but because it also can shed light on the larger questions about whether the development of civil society can successfully be initiated by outside funders.

2.2 Translating Institutional Funders' Resources into Local Support

The sustainability of community foundations and other CIOs depend on replacing funders' resources into local financial support. As pointed out by Ottaway (2000) "Development assistance experts have painfully learned the lesson of sustainability: projects nobody except the donors care about will eventually fail. Sustainability depends on 'ownership' of a project by those meant to benefit from it. People will do their best to keep alive something that is important to them" (p.99).

For community foundations, their sustainability and success rely on mobilizing local giving. Although high levels of local giving does not guarantee a foundation's success and sustainability, and other factors such as grant-making, investment strategy,

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Lilly Endowment committed over 500 million; James Irvine Foundation committed 12 million (C.S. Mott Foundation, 2013; Struckhoff, 1991; Williams Group, 2011).

programs, and administration should be taken into account, the levels of local giving signal a foundation's capacity to accomplish their mission. Obtaining local giving does not necessarily leads to social change but it is an important condition for making community impacts. As an executive director of an Indiana community foundation indicated, without the capacity to garner philanthropic resources, the foundation would not have been included in important discussions about their community (Staff interview, 2). More importantly, local giving is a comparable indicator across community foundations. Despite the different priorities of community foundations, mobilizing local giving is one of their mission, if not their primary mission (Mazany & Perry, 2014).

I first review the literature on community foundations and describe the conditions for community foundations to generate local giving. Given that the studies on foundation-initiated community foundations are limited, I then examine the literature on community development and civil society assistance. Community development refers to community-based projects that a community has direct control over goal determination and action (Mansuri & Rao, 2004). It presupposes that local people have the best knowledge of their needs and solutions to local problems compared to external funders and planners (Khinduka, 1979). Civil society assistance refers to the efforts to promote civil society and democracy in other countries through seeding nonprofit organizations (Ottaway & Carothers, 2000). Both approaches embody the spirit that the development of civil society relies on nurturing self-governed civil society organizations. They are concerned with the same issue of garnering local support.

This review focuses on the initiatives that start and support community foundations as a way to encourage the growth of local organizations and community-building. Some general issues regarding the initiatives to build CIOs and other civil society organizations that might inform the initiatives of community foundations are also discussed. The literature identifies four issues that can possibly affect local giving to foundation initiated community foundations: economic resources, legitimacy, paternalism, and accountability. In the following sections, I discuss each issue in detail.

2.2.1 Economic resources

By providing communities with seed money and technical assistance, institutional funders expect community residents to capitalize on their strength. Scholars indicated that local civil society organizations are unlikely to obtain local support if a community has no resources to build on (Arefi, 2003; Chaskin, 2001). For community foundations, community economic resources are the primary resources considered by institutional funders. When explaining the rationale of funding community foundations, C.S. Mott Foundation (2012) indicated that it was because "many communities around the country had the population base and the wealth to support a dynamic community foundation – yet for various reasons did not". In this narrative, wealth stands out as a premise for the growth of community foundations. Similarly, Netswera (2004) found that in South Africa, the availability of local financial resources made foundation initiated community foundations easier to sustain than in the ones in low income communities.

Other scholars and practitioners, although they did not examine community foundations initiated by institutional funders per se, emphasized the importance of economic resources. For example, Hammack (1989) showed that historically, community foundations initially emerged from populated metropolitan areas where most wealthy people in the country lived. Struckhoff (1991) studied the community foundations in small communities. Although average incomes were not associated with community foundations' asset growth, the number of people with excessive wealth was an important factor. Graddy and Wang (2006) examined California community foundations and found that poverty rate had a negative impact on per capita giving to community foundations in California. Wu et al. (2018) discerned a significant and positive association between income and the giving to community foundations. Additionally, multiple studies show that community economic resources, particularly income and wealth were strongly correlated with giving and growth of charitable organizations in a community (i.e. Bielefeld, 2000; Grønbjerg & Paarlberg, 2001; Lincoln, 1977; Saxton & Benson, 2005).

2.2.2 Legitimacy

Most discussions on the initiatives to build civil society organizations focus on the issue of legitimacy—whether their activities are desirable, understandable, and appropriate within a social system (Suchman, 1995). The idea that legitimacy is an important determinant of whether organizations receive support comes from new institutional theory, which views organizations as an open system and stresses the mutual influence between organizations and social environment (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Pfeffer, 1993).

Scholars indicated two legitimacy issues that can undermine local support. The first is the cultural incongruence between the organizations supported by outside funders and the local community: local stakeholders do not understand and buy-into the visions and values of the imported organizations. Hammack and Heydemann's (2009) edited book *Globalization, Philanthropy, and Civil Society: Projecting Institutional Logics Abroad* researched American foundations' initiatives of civil society organizations in non-western countries, which they called “philanthropic projection”—strategic efforts to spread specific philanthropic organizational forms and practices by means of the donation of money, goods, human efforts, and ideas. They applied the concept of institutional logics, which in this context refers to the assumptions about how a society should be structured. They emphasized that the lack of local support to imported civil society organizations was due to the incompatibility between the logics of western democracy and ideology in non-western countries. They failed to indigenize western values and translated the western terminology of civil society and philanthropy into comprehensible languages and concepts (Swidler, 2009).

The second reason that these institutional funder initiated organizations were not perceived as legitimate was that the imported organizations were viewed as a threat to established social order and power structure. In particular, when the initiatives involve reforming social systems in some way, the imported organizations experienced antagonism from established institutions. In civil society assistance, organizations initiated by the U.S. government have been perceived as a threat to the interests of other countries. Local people viewed them as an instrument for furthering U.S. foreign policy goals and for safeguarding American interests (Al-Sayyid, 2000; Askartova, 2009).

This issue is not unique to civil society organizations started outside the U.S. Domestically, Moynihan (1969) investigated community action agencies initiated by the government during the War on Poverty. Community Action Agencies challenged the authority of urban elites and provoked the oppositions from local bureaucracies. As pointed out by Chaskin and Garg (1997), any initiatives aiming at reforming community governance are likely to encounter a dilemma between challenging established power structure and obtaining funding from local government for sustainability.

2.2.3 Philanthropic paternalism

Lester Salamon (1987) identified philanthropic paternalism as one type of voluntary failure (the other three are philanthropic insufficiency, particularism, and amateurism). Paternalism describes the phenomenon that philanthropy “inevitably vests most of the influence over the definition of community needs in the hands of those in command of the greatest resources” (Salamon, 1987, p.41). It is associated with the historical tradition that nonprofits are predominantly governed by white civic and economic elites who make decisions on behalf of service recipients (LeRoux, 2009).

In civil society assistance, foreign foundations assumed they had the best knowledge about social problems and how to address them. This paternalism impedes the mobilization of local resources when the missions and the forms of nonprofit organizations favored by funders have not been well-accepted in local communities (Ottaway & Carothers, 2000). For example, when American foundations promoted community foundations around the world, they found that selling the concept of an endowment was difficult, even in the United Kingdom, which has a rich tradition of philanthropy. Building endowment inevitably required setting aside a certain amount of investment in the face of immediate needs which suggested spending such an investment. Selling the idea of a grant-making foundation was no less difficult since most foundations in other countries have been operational (Sacks, 2000). Akpilima-Atibil's (2018) research shows that in Africa, Ford-founded foundations encountered challenges in garnering local resources partly because the Ford Foundation favored professionalized and endowed foundations and failed to value the indigenous forms of African philanthropy, such as giving for public welfare through the places of worships.

Paternalism is also evident in community development literature, most notably funders' assumptions that they can define community in ways that make sense to them and their initiatives, rather than based on local understandings of community. Funders' arbitrary delineation of community boundaries was often found to be meaningless in the places where settlement patterns are distinct from such boundaries or where increasing mobility have transformed community boundaries (Mosse, 2001). The mismatch between institutional funders' definition and local people's perception of community boundaries dampens residents' willingness to engage and contribute. Although scholars mainly point to grassroots community organizing, this issue is associated with the initiatives of community foundations and other CIOs since what is meant by community has increasingly come to question in practice (Barman, 2006; Carson, 2014).

2.2.4 Accountability

In project implementation and evaluation, institutional funders encounter the principal-agency problem: principals, or institutional funders depend on CIOs to implement projects, and they rely on the same CIOs (the agents) for the information about the success of the projects. This information asymmetry generates the issue of accountability (Watkins et al., 2012).[5]

In particular, for CIOs which are established to help support the development of local organizations to address community problems and ensure vibrant communities, to

[5] Nevertheless, funders are not principals in the same way that agency theory suggests: in agency theory, principals delegate tasks to agents with the capacity to achieve principals' objectives; while in philanthropic relations, funders support nonprofits with limited capacities for various reasons (Benjamin, 2010a).

evaluate their performance is not straightforward. This issue is magnified by institutional funders' unfamiliarity with cultural and institutional terrains where nonprofits operate. Consequently institutional funders often require reports from CIOs to ensure accountability, which can lead these organizations to prioritize the concerns of their donors above those of the community, which in turn prevents local ownership and support, precisely what is needed to achieve the original goal. Askartova (2009) and Quigley (1997) found in Eastern Europe, in order to secure funding from American foundations, local nonprofit professionals from CIOs enhanced their presence at global conferences, used the language and concepts adopted from Western countries, and galvanized donors with lofty aspirations. Staff spent time on monitoring, evaluation, and other outputs that go directly back to institutional funders while bypassed the needs of local people. The organizations become more professionalized and hierarchical and less connected to the communities they serve.

The second issue, as pointed out by Alnoor Ebrahim (2003), is that grantee organizations "focused primarily on short-term 'functional' accountability responses at the expense of longer-term 'strategic' processes necessary for lasting social and political change" (p.813). Nurturing civic participation and building local nonprofits are a long-term process, yet institutional funders want to maximize their own freedom of actions and avoid a long-term commitment (Watkins et al., 2012). The accountability requirements set by funders undermine the relational work of local organizations necessary to build civic capacity (Benjamin, 2008). Thus, grantee organizations were anxious about securing short-term funding and became less motivated to plan for the long-run (Chaskin, Chipenda-Dansokho, & Joseph, 1997; Quigley, 1997).

In this section, I reviewed four reasons for the failure of the initiatives of civil society organizations to garner local support identified in the existing research: limited economic resources, the lack of legitimacy, philanthropic paternalism, and low accountability to communities. They can possibly explain the challenges of community foundations in garnering local support. Overall, only a handful of studies examined the community foundations initiated by institutional funders, with most of the research conducted in the international context. This research has been primarily concerned with institutional funders' unfamiliarity with local cultural and social environment and the incompatibility between the model of community foundations and local philanthropic traditions, which is understandable given the international focus of this work.

In this dissertation I seek to contribute to the literature on how community foundations initiated by institutional funders are able to garner local support and what prevents them from doing so. I look specifically at one funder's effort, the Lilly Endowment, to start community foundations in the state of Indiana. This is a case where those factors identified in the literature are minimized, but where problems with garnering local support remain.

2.3 Lilly Endowment's GIFT Initiative

Lilly Endowment's GIFT Initiative presents a unique opportunity to examine why some foundation initiated foundations were able to obtain local giving while others were not. The GIFT Initiative was started in 1990 and continues till now, and about 80 Indiana community foundations directly benefited from the project. The time frame and the sample size are large enough to discern the outcomes and challenges of the initiative. More importantly, the GIFT Initiative is a thoughtfully designed project implemented in communities with rich traditions of democracy and civic engagement. The funder, Lilly Endowment, has deep knowledge and connections with local communities. It avoided common causes of failure identified by previous studies, which provides a favorable condition for teasing out the factors affecting funder-initiated community foundations uncovered by previous research. I illustrated why that is the case in the following discussions. The data for the discussions are drawn from three sources: my fieldwork, National Center for Charitable Statistics (NCCS) Core File, and the GIFT Initiative Oral History Project, a project conducted between 1994 and 1996 and included 221 interviews with the key stakeholders initiating the project and early founders and board members, donors, and executive directors of 22 community foundations.

Economic resources. Whether Indiana communities have sufficient wealth and population to sustain community foundations was a key concern when the leaders of Lilly Endowment initially presented the project to national community foundation leaders. National foundation leaders worried that Indiana communities were too small to develop vibrant community foundations. Indiana has large rural areas and a widely dispersed population, while mainstream community foundations were developed in big cities with large populations and access to wealth. There was a strong belief in the 1980s that in order for a community foundation to "take-off", it needed at least five million dollars in assets – not an easy goal for a community with about 30 thousand people which was the size of an average Indiana county in the 1990s. However, the "deep pocket" of Hoosiers in rural communities was beyond expectation: they donated land and made charitable bequests to the communities where they live for their whole lifetime. In my exploratory regression analysis, rural community foundations received less amounts of giving in total, yet they have a higher level of per capita giving (Appendix A). Some of the community foundations that attracted a significant amount of donations and accumulated over $10 million assets are in very rural counties, such as foundations in Switzerland County, Jay County, and Parke County. This suggested that economic resources, while important, may not be the determining factor for the ability of community foundations to garner local support.

Legitimacy. In the GIFT Initiative, legitimacy is not a major concern. My conversation with community volunteers in local nonprofits and journalists who followed the GIFT Initiative for years indicated that the GIFT Initiative enjoyed high public recognition in Indiana. Lilly Endowment made grants all over Indiana through community foundations, while before the GIFT Initiative, Lilly Endowment was criticized that they only gave to central Indiana and other national organizations (Johnson, 1995). Culturally, the model of community foundations fits into the ideology and norms of Indiana. Before the GIFT Initiative, Indiana already had 17 community foundations, which demonstrated the viability of the model even without Lilly Endowment's support. Moreover, the funder Lilly Endowment is a well-known private foundation that has a long history in Indiana. As a prestigious and powerful institution, Lilly Endowment brought its legitimacy to community foundations. A national expert of community foundations pointed out to me, "Lilly is not an outside funder. What people perceive was a local foundation they trust, saying they are behind these community foundations. The new community foundations did not have any validity at all (when they started), and Lilly lent credibility to them, even though community foundations had to earn credibility by themselves for any further donations and grants" (External informant interview, 12).

Regarding the risks that seeding community foundations might disrupt established institutional interests, in some communities local nonprofit organizations, especially United Ways were concerned that community foundations were taking away their funding sources rather than providing improved access. Such a mindset could threaten the viability of community foundations. Recognizing this issue, Lilly Endowment implemented multiple strategies. The most important one is, they provided community foundations with special project grants that facilitated cooperative relationships between community foundations and other nonprofits. By making grants, community foundations channeled Lilly's resources to local nonprofits and built partnerships with them. Moreover, by encouraging agency funds, local organizations could raise and manage funds through community foundations, which reduced their administrative costs. Through carefully designed strategies, the GIFT Initiative helped community foundations build partnerships with local nonprofits to reduce conflicts of interests and competition. Although there were still debates regarding whether devoting such an enormous amount of resources to support community foundations which could have been used to fund other types of civil society organizations was the optimal choice for Lilly Endowment, my study suggests that generally speaking, local nonprofits favored the GIFT Initiative because community foundations provided them additional sources of funding.[6]

[6] When supporting infrastructure organizations, Lilly Endowment were thoughtful and careful in regard to avoiding the competition between infrastructure organizations and local charities. Similarly, Lilly Endowment gave United Ways in Central Indiana $50 million endowment for operation, so the money United Ways raised can all go to local nonprofit without charging nonprofit organizations administrative fees, which reduced the conflicts between United Ways and local nonprofits.

Philanthropic paternalism. In the GIFT Initiative, even though it was Lilly Endowment's intention to promote community foundations, each community could decide whether they wanted a community foundation or not. Lilly Endowment encouraged community foundations to be based on at least one county, but local communities could make adjustment, i.e., Lake County and Madison County in Indiana are still served by more than one community foundation. Lilly Endowment regarded community foundations as partners instead of beneficiaries. They did not intervene in the governance and programs of the community foundations. In this respect, they are not a paternalistic funder and respect the wisdom and choice of local people.

Accountability. Indiana community foundations had to be accountable to communities in order to sustain and survive. They had to raise enough local donations in order to obtain the match grants from Lilly Endowment, and for over ten years, Lilly Endowment did not commit any large grants to Indiana community foundations except in a few selected projects. In addition, Lilly Endowment did not set any specific and measurable goal for individual community foundations. They commissioned Indiana Philanthropy Alliance to conduct program evaluation for Indiana community foundations, but the purpose was to improve the project rather than judging the performances of individual community foundations. Lilly Endowment committed long-term support for community foundations. They understood that building a vibrant community foundation cannot be achieved overnight. In the internal discussion about the GIFT Initiative, the agreement was at least 15 years (External informant interview, 8). Thus, Indiana community foundations only needed to deal with minimum accountability requirements from Lilly Endowment. Although it does not necessarily make every Indiana community foundation accountable to their community, the issue that accountability to funders supersedes accountability to communities was less pronounced in the GIFT Initiative.

In sum, the conditions identified in the literature as leading to the failure of the initiatives of civil society organizations should not constitute major challenges in the GIFT Initiative. Nevertheless, regardless of the advantages that the GIFT Initiative had, two challenges in attracting local giving remained.

Low per capita giving to community foundations in high-income suburban communities.

I found that, surprisingly, community foundations in high-income suburban counties were under-performed in fundraising given their community resources. I ranked Indiana community foundations[7] by annual average per capita giving from 2005 to 2012, the years without significant grants from Lilly Endowment. Per capita giving equals total gifts received by a community foundation divided by the population of the county or counties served, which is an indicator widely used to assess the level of community giving to community foundations and other nonprofits (Graddy&Wang, 2006; Gronbjerg&Paarlberg, 2001). Consistently, I found that community foundations in high-income suburban communities were ranked low in their per capita giving given their per capita income (Appendix B). More specifically, Indiana has 10 suburban counties—counties adjacent to large cities (Indianapolis, Chicago, and Cincinnati) with urban concentration (over 50% of the population are urban). All of the 10 suburban counties are high-income counties: they are ranked top 25% in per capita incomes. Nevertheless, per capita giving to their community foundations were around or below the average level of

[7] Three Indiana community foundations are not based in one or multiple counties. Since it is difficult to obtain their population and income data, I excluded them from my analysis.

Indiana community foundations. This observation implies that high level of income does not necessarily predict high level of giving, which is inconsistent with existing findings that high-income communities typically have a higher level of giving to community foundations and community-based organizations.

There are two concerns regarding whether low per capita giving to suburban foundations actually presents a theoretical puzzle. First, average per capita income does not necessarily measure a community's economic resources available for philanthropy. Endowed giving constitutes a major source of revenues for community foundations (Leonard, 1989). Thus, giving to community foundations are more dependent on wealth than income, and per capita income does not necessarily reflect the wealth in a community. In particular, in rural communities, farmers might have lower incomes than professionals in suburban communities, but they own properties and land. Thus, rural counties might be as wealthy as suburbia. In addition, giving to community foundations depend on the number of people with excessive wealth (Struckhoff, 1991). Yet average per capita income does not measure the size of wealthy population. Finally, major gifts to community foundations often come from planned giving, which are typically made by seniors, while the suburban counties attracted many young professionals and the percentage of seniors is lower than other counties. Although young professionals earn high incomes, they are paying their mortgages and children's education and do not have a lot of resources to give. In addition, they are not in the life stage to consider planned giving.

Second, in nonprofit theory, having demand unmet by market and government is the driving force of the emergence and growth of the nonprofit sector (Steinberg, 2006).

It is likely that people chose not to give to community foundations in wealthy suburban counties because they do not see the need of their county: they enjoy the arts and culture services in Indianapolis and observe the poverty in the city as they commute and drive through poor neighborhoods every day. Suburban counties have poor people who are under-served by social welfare system, yet they are less invisible than homeless people in the city: poor suburban residents are not sitting on the street with a sign; instead, they spread out and live at their neighbors' homes or in cars (Staff interview, 57). Thus, people in suburban counties do not recognize the needs in their communities.

For the first concern, I used multiple indicators to measure community economic resources. The results confirm that suburban counties have rich economic resources compared to other Indiana counties:

- I used the average value of lands and building per acre and the percentage of people with high-income (above $200,000) from U.S. Census (2011) and U.S. Department of Agriculture-National Agriculture Statistics Service (2009) to measure the wealth in a county. I found that suburban counties continued to be top 25% among all Indiana counties;
- I re-estimated per capita giving by the number of seniors (+65) (total amounts of gifts received by a community foundation are divided by the number of seniors), and the suburban community foundations are still ranked relatively low among all Indiana counties, especially the foundations in Johnson County and Hendricks County;
- Local media, i.e. Indianapolis Star ranked suburban counties as most wealthy counties in Indiana.

- No evidence shows that the county is less wealthy regarding major gifts. The Million Dollar List (Indiana University Lilly Family School of Philanthropy, 2012) documented 42 Indiana million-dollar donors who reported a city address. The four donut counties of Indianapolis I examined account for 6% of total population in Indiana and 12% of million-dollar donors, which indicates that donut counties have a higher proportion of million dollar donors than other communities.

For the second concern, empirical studies on community foundations showed counter-evidence. As reviewed in Section 2.2.1, community foundations are supply-driven organizations rather than demand-driven organizations: low incomes and high poverty rates had negative effects on giving, and large community foundations are concentrated in great American cities. (Hammack, 1989; Graddy&Wang, 2006). For Indiana community foundations, statistical analysis shows that high income has a positive effect on per capita giving, while poverty rate does not have a significant impact, which implies that the effects of income and wealth is stronger than the effects of demand. (Appendix A).

In sum, all the evidence leads me to wonder what factors other than economic resources explained giving to community foundations.

The long-term effects of matching grants were unclear.

The second challenge concerns with the long-term effects of matching grants on giving were unclear. Evidence from GIFT Initiative and other matching grant projects suggested that matching grants might have a negative effect on giving and fundraising in the long run. In the 2002 report to Lilly Endowment prepared by the GIFT Initiative

Technical Assistance Team, the consultant of GIFT Initiative expressed concerns regarding whether long-term provision of matching grants would continue to stimulate giving and fundraising as expected. She suggested Lilly Endowment to temporarily suspend the matching grants. In addition, existing research have found negative impacts of matching grants on giving in the long-run: termination of matching grants led to a significant decline in giving, and the overall net effects of matching grants were negative in the long run (Meier, 2007). Exploring the effects and mechanisms of matching grants is important given millions of dollars of matching grants have been invested in Indiana community foundations as well as community foundations sponsored by other private foundations around the world.

This dissertation focuses on examining these two challenges in the GIFT Initiative, and the hope is to advance our understanding of how and when ongoing efforts to grow community foundations and other community infrastructure organizations are successful.

The limitation of studying just one initiative is self-evident. Although GIFT Initiative is similar to other initiatives of community foundations in the sense that funders used matching grants and technical assistance to support the growth of community foundations, it is different from others in important aspects: GIFT Initiative aimed at supporting the growth of community foundations, while some other projects used community foundations as vehicles and set specific focus areas for community foundations, i.e. Kellogg Foundation's initiative supported community foundations in order to encourage youth philanthropy. Regarding the selection of community foundations to support, Lilly Endowment set no threshold regarding the size and type of the community; while for some projects, funders only supported established CFs with certain amounts of assets in sizable communities. Finally, the strategies applied by institutional funders to support community foundations were different: the degree of institutional funders' intervention, the length and ratio of matching grants, and the content of technical assistance varied case-by-case. Compared to other initiatives, the GIFT Initiative had a minimum intervention on local community foundations' mission, programs, and strategy. It is one of the largest initiatives to support community foundations in respect to the length of time and dollar amounts.

Nevertheless, case studies have advantages over cross-unit study regarding identifying causal mechanisms that are generalizable to other similar cases and phenomena (Gerring, 2004). As pointed by Robert Dahl (2005), "Many problems that are almost unyielding over a larger area can be relatively easily disposed of on this smaller canvas" (p.v). Through examining GIFT Initiative, this research provides an in-depth description of how foundation-initiated community foundations functions as well as the causal mechanisms on how the factors identified affect local support to community foundations. Certainly, all the evidence and causal mechanisms are tested only against the evidence found in selected Indiana community foundations. Other scholars should test the propositions developed from GIFT Initiative in other cases to determine the scope condition.

Next, I describe the data and methods to examine the two challenges.

2.4 Explain the Performance of Garnering Local Support: A Case Study of Suburban Community Foundations

High-income suburban community foundations which had relatively low level of local giving are ideal cases to explore what factors other than economic resources, in particular income and wealth, might explain giving to foundation initiated community foundations. This study concentrates on examining the influence of community environment rather than internal management and governance issues, and thus the community foundations selected should not have obvious management and governance problems.

Among the 10 wealthy suburban counties, I selected four community foundations near Indianapolis for my case study: Community Foundation of Boone County, Hendricks County Community Foundation, Hancock County Community Foundation, and Johnson County Community Foundation. These foundations are chosen for the following reasons. First, I preferred suburban counties near Indianapolis due to proximity and accessibility to the field. There are seven counties adjacent to Indianapolis and each has a community foundation. I excluded three foundations: Hamilton County Community Foundation is an affiliate of CICF. Its mission, organizational identity, operation, resources, and relationship with Indianapolis is different from the other four independent community foundations in donut counties; Shelby County is rural and does not belong to high-income Indiana counties; the foundation in Morgan County experienced a merger of two community foundations, which might factor into its low per capita giving.

More importantly, my case selection followed the method of within-case analysis in which there is no variance in dependent variables across cases: the four community foundations all had relatively low per capita giving. To a variable oriented researcher, the selection of cases that appear similar on the outcome of interest or the dependent variable is a problem, because you need the dependent variable to vary in order to determine the effect of the independent variable. However, Ragin (1999) explained that case-oriented researchers may choose cases that are relative the same on the outcome of interest (in this case the relatively low level of local support): "Because all of the cases have more or less the same outcome, the causally relevant conditions shared by cases provide important clues identifying the factors that must be combined to produce the outcome in question" (p.1142). Choosing such cases enables the researcher to identify the main causal conditions and to understand how they are related to each other and the outcome rather than seeing the independent variables as competing with each other to explain the outcome. Similarly, Collier et al. (2004) pointed out that within-case analysis is most promising in helping identify the causal mechanisms linking independent variables and dependent variables and to distinguish "the effect of independent variable and error within each case, comparisons of effects across the cases are not confounded with those errors" (p.97). Case researchers start by understanding each case, and how the outcome of interest transpired. Then they compare across cases. Hence, my process of the case study was to develop a sound understanding of each case on its own terms and then compare the four cases. The findings can then be tested on additional cases with the same or different outcome.

Even though I only examined the four cases in-depth, I had informal conversations with the staff and board members from multiple community foundations. For each theme that I extracted from the four cases, I attempted to find counter-evidence based on my other experiences. In addition, I sent my findings to experts of Indiana community foundations who visited every Indiana community foundation for a member check. The member check from diverse stakeholders represented multiple points of view and confirmed that I developed a reasonable understanding of the case (Schwartz-Shea, 2006).

I applied qualitative methods to examine this question. My research approach is largely exploratory, inductive, and field-driven: "the researcher discovers recurrent phenomena in the stream of field experiences and finds recurrent relations among them. These working hypotheses are modified and refined progressively as fieldwork progresses" (Miles, Huberman, and Saldaña, 2014, p.238). I asked staff members of community foundations open-ended questions about why suburban foundations had relatively low per capita giving. I generated working hypotheses based on their explanations and found evidence/counter-evidence by interviewing other stakeholders and informants. Recognizing the limitation in interview method and sample size, I used existing research and theory to provide further evidence for the causal mechanisms identified. In total, I conducted 46 formal interviews with 49 key informants of Indiana community foundations and experts of U.S. community foundations: (1) staff, donors, and board members of the four suburban community foundations; (2) observers, program officers, and consultants of the GIFT Initiative; (3) national community foundation experts and informants associated with other Indiana community foundations. Interviews lasted from 20 minutes to 2 hours and were recorded. In addition to formal interviews, I observed the events organized by the GIFT Initiative Technical Assistance Office, community foundations, and other civil society organizations. During these events, I had informal conversations with 42 local nonprofit leaders, residents, and people involved in community foundations in Indiana and other states. All the formal and informal interviews are numbered.

My data analysis procedure followed the methodology of Paul Lichterman (2002) who insisted that data collection and data analysis should be tightly interwoven in fieldwork. Every time I finished an interview, I took field notes, identified themes, and theorized what I found. As suggested by Paul Lichterman (2002), coding—searching and flagging interesting items with a term—begins when pursuing your first field notes with your initial themes and expectations in mind, "coding not only documents what you have found but suggests what to look for next" (p.130). In particular, I compared and contrasted my new data with previous interviews and reflected on how the new information added to what I knew. If new information was not consistent with what I found before, I would seek explanations in my next interviews. I constantly tailored my interview protocols and adjusted questions based on my findings. I stopped the first round interviews when I heard repeated themes and realized that all evidence can be held together for a complete, logical story. I then transcribed my interviews and used Atlas.TI to code my transcriptions. I wrote a memo based on my coding and highlighted the areas where more information was needed. I then went back to some of my interviewees and did a second interview to obtain this information.

With the progression of my preliminary fieldwork, two working hypotheses that could possibly explain the low per capita giving to community foundations emerged: community identity and social relations. In the following sections, I elaborated how I collected analyzed data to test the two hypotheses.

2.4.1 Community identity

In my early fieldwork, informants suggested that the lack of community identity with the county might be an explanation for low level of per capita giving. In particular, they questioned whether "county" is a meaningful community for local donors. On the one hand, people might not necessarily feel attached to the county they live because they work in the central city; on the other, even if they do, they might be more identified with their towns than their county. Their advice echoes the concerns from the leaders of community foundations in the nation. For example, Paul Ylvisaker (1989) expressed the communities pre-defined by community foundations have "dissolved into an urban environment that melds imperceptibly at its edges into a region, a nation, and the world" (p.52). More broadly, it is well-researched that mobility and increasing size and heterogeneity of communities leads to the decline of community identity (Forrest & Kearns, 2001; Kasarda & Janowitz, 1974). The concept of place-based community becomes elusive due to community fragmentation as well as the emergence of virtual communities and communities defined by lifestyles, ethnicity, and income (Bellah et al., 1985). People's community identities are likely to diverge from the place where nonprofit organizations are based in. In a research of United Ways, Barman (2006) argued that the challenge for community infrastructure organizations is what kind of "community" should be the proper target of charitable activities and how different understandings of communities affect place-based philanthropy.

To examine whether county is a meaningful community that residents identify with, and if not, how this affected giving to community foundations, I interviewed donors and non-donors to community foundations, staff, board members, and external observers.

The goal is to examine: did donors give because they identify with the county, and did none-donors decide not give because they did not identify with the county?

Sampling: Donors and non-donors

I describe the sampling of interviewees as follows. Donors are defined as individuals making donation to community foundations. I sampled three types of donors. (a) Individual donors who set up personal or family endowment—they are the major donors of community foundations (N=12); (b) Individual donors giving to administration, women's giving circle, and specific community projects—they are startup donors nurtured by community foundations as future endowment donors (N=20); (c) Institutional donors—nonprofit organizations and corporations setting up agency funds for their organizations (N=3). [8]

I considered two types of non-donors. (a) individuals who were reached by community foundations reached but have not yet made any donations, including attendees of events organized by community foundations and core members of community foundations' grantee organizations (N=7); (b) individuals who made small donations to community foundations but have not committed make large endowed gifts above $5,000 (N=6).

Given the limited sample size of donors and non-donors, I supplement the information by interviewing board members and nonprofit leaders about their experiences with potential donors and their understanding of giving/not giving.

[8] Another type of donors is the ones giving memorial gifts to deceased people associated with local communities. I did not interview them because they were generally not interested in having connections with the foundation in the future, according to staff members (Staff interview, 52, 54).

Recruiting donors and non-donors was challenging. Community foundations have the responsibility to protect the confidentiality of donors. I had to rely on meeting people at local community events, especially the ones organized by community foundations where I could meet donors and non-donors. Typically, I approached attendees and asked whether I could do a 10-minute interview. I sampled donors and non-donors with diverse socio-demographic features including gender, age, workplace, and location of residence. If the donors happened to be board members, I asked whether I could schedule a 30-45 minute interview. Thus, most of the endowment donors that I have in-depth interviews with are board members.

Assess the roles of community identity in giving decisions

Community in this research refers to place, territory, and geographic areas. Identity is a sense of self. Community identity is conceptualized both as a place identity and a social identity and denotes belongingness and oneness to a both a physical place and the people bonded with the place (Colombo & Senatore, 2005). I used three approaches to assess the roles of community identity in giving.

First, I asked open-ended questions to donors/non-donors about why they gave/not gave to community foundations and how they made the decisions. For donors giving endowed funds, I asked why they chose a local community foundation over other institutions providing similar services such as national DAFs and Central Indiana Community Foundation (CICF)—a large foundation in Indianapolis. When coding interviewees' narratives, I examined whether the terms signaling community, such as "community", "neighbors", and "home" surfaced their explanations when I asked them to elaborate their reasons for giving/not giving. If interviewees mentioned any of these terms, I marked them as reasons possibly relating to community identity. Then, I relied on social identity theory to interpret these narratives: I sought and coded interviewees' narratives that corroborated or negated the propositions in social identity theory. More details will be shown in Chapter 4.

Second, I asked follow-up questions about community identity and giving to community foundations. For donors, I asked whether community identity was an important reason for giving to community foundations. I adopted Raymond, Brown, and Weber (2010)'s measurement of place identity and operationalized community identity as "feeling attached/belonging to your community". For example, I asked donors: "did you give to community foundations because you felt attached/belonging to your county?"[9] For non-donors, I asked follow-up questions about whether they felt attached to their county and whether they engaged in local nonprofit organizations. If they reported that they identified with their county or actively engaged in local nonprofit organizations, i.e. being board members, donors, and founders, then the lack of community identity is not considered as a reason for not giving.

Third, consider that identification with places other than the county might be a possible reason for not giving to county-based community foundations, I focused on examining two groups of interviewees who, according to the staff members, were the least likely to identify with their county. The rationale is that if identification with the county did not present an issue for them, then it might not be a main reason for not giving for other people.

[9] According to Raymond et al. (2010), the following statements measure community identity: I feel the place is a part of me; the place is very special to me; I identify strongly with the place; I am very attached to the place; the place says a lot about who I am; the place means a lot to me.

The first group of people who are less likely to identify with their county is new residents who were not born and raised in suburbia and commuted to Indianapolis for work. They are perceived by foundations' staff members as identifying more with Indianapolis than the suburban county they lived in. In addition to the questions above, I examined their community identities in details, including which community they felt most attached to, and how they saw the relationship between their county and Indianapolis. If they had more time for my interview, I asked questions about their philanthropic engagement in both the central city and suburbia: whether they gave more to Indianapolis than the place they live, how they selected the nonprofit organizations to give to, and whether geography was an important consideration for their giving. To triangulate, I went to CICF and asked their staff members whether they had donors from suburban counties and whether these donors chose CICF instead of suburban foundations was because they identified more with Indianapolis than their county.

The second group of people are residents of rural and bedroom communities. According to staff members, a suburban county can be divided into three parts: county seat, rural communities, and bedroom communities, and residents in rural and bedroom communities did not possess a strong sense of the county. I sampled donors from the two communities and asked them to describe the community they felt most attached to. If the communities they identified with were different from their county, it implies that the incompatibility between the pre-defined community by the community foundation—county and the self-defined community of donors did not necessarily lead to not giving. For the information of non-donors, I reached board members from different parts of the counties and asked them how they understood the reason for not giving, and whether it was because potential donors did not identify with the county.

Developing the causal link between community identity and giving through interviews has limitations. Donors' narratives show how they account for, interpret, and make sense of their giving. Yet it is difficult to judge whether interviewees' explanation of their action is the true motivation or a loose repertoire of justification (Swidler, 1986). Psychologists describe two systems of decision-making: System 1 links to our intuition—automatic, fast, emotional, and subconscious, and system 2 links to our deliberative consciousness—slow and logical. Most of the times, decision-making is driven by system 1—intuition and emotion, which are beneath our deliberative consciousness and difficult for individuals to articulate (Evans, 2008; Kahneman, 2013). Similarly, sociologist Pierre Bourdieu (1977) used the concept "habitus" to describe the dispositions and schemes built up from life experiences that allow individuals to make decisions without calculated deliberation.

In addition, the interview protocol for this research focuses on how interviewees account for their giving and includes guided questions, such as "did you give to the community foundation because you felt attached to the community" and "did you identify/feel attached" to your community". For future research, in order to better understand their motives, a preferred approach is to ask interviewees to describe an action rather than constructing a rationale (Weiss, 1995). For example, I might ask donors' last giving decision and then unpack the conditions that informed the decision through questions like how the decision was made, how typical it was, and how this was similar to or different from giving to community foundations.

Regardless of these limitations, there is no single perfect method in social science for understanding motivations. In-depth interview data enable us to discern what factors are considered by actors to be important in people's giving decisions, and face-to-face interviews allow us to have a sense for their feelings and emotions (Pugh, 2013). For example, when I asked interviewees whether community identity affected their giving decisions and which community they felt most attached to, some interviewees responded with confidence, while others showed hesitation. Through tones, pauses, and facial expression, I am able to assess their feeling of belongingness to their communities and the role of community identity in giving. My exploratory analysis provides a theoretical foundation for future research applying the methods of ethnography and survey to verify the findings using interview data.

2.4.2 Social relations

The theme social relations emerged in my fieldwork. I repeatedly heard from staff members, board members and community members that the primary reason for not giving was that people were not aware of community foundations, and the issue of visibility was associated with structures of social relations in suburbia. Then I added questions to investigate community social relations, and how they affected giving to community foundations.

I examined the causal mechanism associating community social relations and the lack of visibility of community foundations. First, I collected the following information from staff members. (a) Community foundations' strategy to reach donors. I mapped foundations' channels to reach donors, especially foundations' relationships with brokers who have access to wealthy people, i.e. professional advisors. I assessed foundations' network with various types of potential donors: commuters, farmers, young people, ethnic minorities, and new comers. (b) Their perceptions on the challenges in community foundations' fundraising. I coded all the challenges indicated by interviewees and then examined whether the biggest challenge, according to them, was visibility (people were not aware of the existence and roles of community foundations). (c) Their explanations on why community foundations encountered the challenge of visibility. I paid attention to how they interpret the association between low visibility of community foundations and the patterns of social relations in the community.

Second, I triangulated the accounts of staff members by conducting interviews with board members, donors, residents in communities, and external informants, i.e. staff members from other community foundations and informants of GIFT Initiative. More details and evidence can be found in Chapter 5.

2.5 Long-term Effects of Matching Grants

GIFT Initiative provides a unique opportunity to examine the long-term effects of matching grants. From 1990 to 2002, Lilly Endowment continuously provided five phases of matching grants to leverage local giving to Indiana community foundations, and from 2003 to 2013, the matching grants were suspended.[10] To assess the long-term effects of matching grants, I examined the changes in giving to Indiana community foundations after the matching grants were switch-off. To control for year-to-year socio-economic changes that might factor into changes in giving to community foundations, such as business cycles, I applied difference-in-differences (DID), which is a statistical technique that attempts to mimic an experimental research design. Researchers observe

[10] In 2014 and 2018, Lilly Endowment launched two phases of matching grants—GIFT VI and GIFT VII.

treatment and control groups for two time periods: treatment groups is exposed to a treatment in the second period but not in the first period, and control group is not exposed to the treatment during either period. By subtracting the average change of the control group from the average change of the treatment group during the two time periods, researchers are able to discern the treatment effects. In this dissertation, Indiana community foundations are the treatment group, and the switch-off of the matching grants is the treatment. Ohio community foundations are the control group. In Chapter 6, I will explain the rationale of selecting Ohio as the control group. Data on giving and demographics from 1998 to 2012 are drawn from NCCS Core Files and Guidestar.

In addition, I used quartile analysis to estimate the changes in fundraising expenses over years and examined historical archives to interpret my findings based on the quantitative data analysis. GIFT Initiative's technical assistance team has prepared internal evaluation reports to Lilly Endowment every year since 1990. I obtained their reports from 2001 to 2006. In these reports, the technical assistance team documented the reactions of community foundations and donors to the suspension of matching grants according to their consulting experiences and site visits to community foundations.

More details about data and methods are discussed in Chapter 6.

Chapter 3. A History of the GIFT Initiative

Since 1990, Lilly Endowment provided continuous support to about 80 Indiana community foundations. Although the GIFT Initiative's strategy to develop community foundations with matching grants and technical assistance is not unique, the initiative serves as one of the longest lasting programs to support community foundations.

This chapter examines the history of the GIFT initiative, focusing on how the Lilly Endowment created awareness and encouraged local support for community foundations. To make such an assessment, I analyzed fourteen interviews from the GIFT Initiative's Oral History Project along with reports, grant guidelines, and publications of the Lilly Endowment and its supporting GIFT office. Based on this, I concluded that three factors played a role in the initiation and implementation of the project: Lilly Endowment's enduring commitment and influence, the collaborative development of leadership networks across the nonprofit sector in Indiana, and Lilly Endowment's ability to conform its work to the culture and structure of local communities.

3.1 Formation of a Leadership Network

In the early 1980s, influenced by the national trend, Indiana nonprofit leaders started paying attention to community foundations. At that time, Indiana had only five active community foundations (Johnson, 1995). The Indianapolis Foundation, founded in 1916, was one of the oldest community foundations in the United States and the largest community foundation in Indiana, accounting for seventy percent of the total assets of existing Indiana community foundations (GIFT Office, 2014).

The evolution of Indiana community foundations was a gradual process before the GIFT Initiative was launched. While Indiana is composed primarily of small, rural areas and a widely dispersed population, mainstream community foundations were developed in big cities with large populations and access to wealth. Besides CICF, Indiana had about fifteen community foundations registered as 501(c)(3) in both cities (Fort Wayne, Bartholomew) and rural counties, i.e. Jay County, Tipton County, yet few were considered active (Johnson, 1995). Since the model of most community foundations required building an endowment, population size and the number of people with enough wealth to contribute both factored into assessments regarding sustainability in a particular location. Moreover, nonprofit leaders in the 1980s believed that, in order for a community foundation to “take-off,” it would need to attract at least five million dollars in assets – not an easy goal for a community with less than fifty-thousand people—the population size of most Indiana counties (Struckhoff, 1991; U.S. Census, 2001).

In spite of the concern regarding whether Indiana communities were suitable for the growth of community foundations, nonprofit leaders recognized the value of community foundations as community conveners and philanthropic vehicles for local giving in Indiana. The Indiana Donors Alliance (IDA), now the Indiana Philanthropy Alliance (IPA), formed a coalition that gathered nonprofit leaders interested in community foundations. Initially, IDA did not plan to develop community foundations, but rather to strengthen connections among grant-makers. The initiative began in 1983, when John Mutz, Lieutenant Governor of Indiana (who later became President of Lilly Endowment, Inc.), and Alan Shusterman, Executive Director of the Indiana Humanity Council (IHC), co-organized a conference for grant-makers interested to discuss common issues and raise local consciousness about the philanthropic sector. The success of that conference led to the establishment of a steering committee responsible for organizing annual conferences, and operating under the name of Indiana Donor Alliance (IDA) (Indiana Donors Alliance, 1998). Through IDA, early pioneers of Indiana community foundations were well-connected. In fact, most members of the IDA steering committee were actively engaged in community philanthropy and community foundations. These individuals included Charles Johnson, then Vice President of the Lilly Endowment, Inc., who later founded the GIFT Initiative; Douglas Bakken, Executive Director of the Ball Brothers Foundation who supported a community foundation in Muncie; Edward Sullivan, Executive Director of the Heritage Fund, a community foundation in Columbus; and Kenneth Chapman, Executive Director of the Indianapolis Foundation (Indiana Donors Alliance, 1998). Affinity among foundation leaders developed through IDA, which laid an institutional foundation for Lilly Endowment's GIFT Initiative and provided essential resources in its early days. This was a starting point where leaders of Indiana's philanthropic communities combined forces to help Indiana community foundations grow collectively.

3.2 Roles of the Lilly Endowment

As a key sponsor of IDA, Lilly Endowment, the largest foundation in Indiana became deeply involved in establishing and sponsoring community foundations in the mid-1980s, a time during which the endowment encountered both internal and external pressures.

In the 1980s, the success of the stock market led to a tremendous increase in Lilly Endowment revenues. The Tax Reform Act of 1969 required private foundations to pay out at least five percent of the average market value of its assets in any fiscal year. This meant that the Lilly Endowment had to significantly increase the scale of its grant-making. At the same time, the endowment was preparing to expand the scope of its grant-making throughout the state as it encountered criticism from within the philanthropic community for making grants only in central Indiana. Discussions regarding how to expand Lilly Endowment's grant-making became a priority. At the time, Charles Johnson, then Lilly Endowment's Vice President, started learning about community foundations. Before joining the Lilly Endowment, Johnson spent most of his life as a fund-raiser and development officer. He started working for the endowment in 1978, using his expertise in fundraising to assist Indiana nonprofits with capacity building (Johnson, 1995). Responsible for the institutional advancement of Indiana's nonprofit sector, Johnson found community foundations to be an appropriate partner in Lilly Endowment's goal to expand the scale and scope of grant-making while enhancing the capacity of local philanthropic communities (Johnson, 1995). Moreover, the idea of partnering with community foundations suited the philosophy of the endowment, which sought to maintain low administrative costs. Lilly Endowment had a small team, relative to its asset size, in the 1980s. For this reason, accepting and evaluating grant applications from organizations throughout the state of Indiana, let alone tracking the performance of every grantee, was not a strategy Lilly Endowment wanted to pursue given that it would require an enormous investment in human resources.

Committed to the community philanthropy approach, Lilly Endowment's leaders believed that local citizens could best define and solve local problems (Johnson, 1995). Instead of selecting grantees, the foundation opted to nurture partners in different parts of Indiana who were in a better position to judge the merits of an application to address needs in that community compared with Lilly Endowment personnel in Indianapolis.

Given that community foundations, in general, are designed to serve the needs of their respective communities, provide a neutral space to convene community members, and cultivate local leaders, they fit nicely with the goals of the endowment.

Lilly Endowment's philosophy was different from many other foundations promoting strategic philanthropy, which set clear goals for their grantees, measured progress, and evaluated performance. Hammack and Anheier (2013) point out that private foundations often represented the central power which could jeopardize the autonomy and integrity of local nonprofits and suppress local solutions to social problems. Different from these traditional approaches, Lilly Endowment's approach was to encourage local efforts and empower local communities.

In 1982, the Council on Foundations and private foundations, including the Charles Stewart Mott Foundation and the Ford Foundation, launched a project to support the growth of community foundations nationwide. Lilly Endowment was invited to join the project and Johnson encouraged the endowment to provide financial support as a way to get in touch with people and resources in the field (Johnson, 1995). Around the same time, Douglas Bakken, Executive Director of the Ball Brothers Foundation, the second largest private foundation in Indiana, contacted the Council on Foundations to request support for its plan to launch a community foundation. Bakken was responding to a request from the Ball family to "broaden philanthropy"—the Ball Brothers Foundation was considered too influential and did not get the community involved in its work (Bakken, 1995). In 1984, Bakken visited Columbus, Indiana, and met Edward Sullivan, Executive Director of the Heritage Fund, a community foundation based in Bartholomew, Indiana. After a long conversation with Sullivan, Bakken recommended that the Council on Foundations push for a community foundation in Muncie.

Neither Johnson nor Bakken received positive feedback from the Council on Foundations about developing community foundations in Indiana. According to Johnson, the national movement preferred to support established, municipal community foundations which had at least $1 million in assets and a population of at least 250,000. Most communities of Indiana were too small to meet that threshold, and the Indianapolis Foundation was already too large to receive the Council's support. Moreover, the big community foundations were nervous about small community foundations, suggesting that small foundations would be unsophisticated or might operate illegally, which could jeopardize the privileged legal environment enjoyed by the larger and more established community foundations (Gladish, 1995).

Both Johnson and Bakken recognized that there was little hope the Council on Foundations would fund community foundations in Indiana. Skepticism from the national level frustrated both Johnson and Bakken. However, they believed that with the amount of resources and institutional capacities of their respective private foundations, it was still worth trying to support community foundation through local efforts.

3.3 Ball Brothers Foundation's Experiment

The Ball Brothers Foundation was the first Indiana private foundation to initiate a community foundation in Indiana. After researching the wealth potential in Muncie, Bakken believed the city could develop a vibrant community foundation, despite its small population (about 80,000 people). In 1984, the Ball Brothers Foundation brought together resourceful people in Muncie, including the president of a bank and several corporate heads, as volunteers to push the project forward. “We tried to get people on the band wagon”, said Bakken (1995). In 1985, the Muncie and Delaware County Community Foundation was established. The Ball Brothers Foundation provided $2 million in matching funds to build the community foundation’s endowment and a $100,000 operating grant for three years. By 1988, the community foundation successfully raised a $5 million endowment and reached its take-off point (Muncie and Delaware Community Foundation, 1989).

With the success of the Muncie and Delaware Community Foundation, Johnson was more confident that support from a private foundation could ensure the sustainability of a community foundation in small communities. In 1987, Johnson started promoting the community foundation project within Lilly Endowment, sharing his optimism about community foundations with James Morris, President of the endowment, who offered his enthusiastic support (Johnson, 1995).

The fundamental prerequisite for success of a community foundation was the local communities’ interest in having a community foundation. Through IDA, Johnson and other pioneers of Indiana’s community foundations, including Douglas Bakken, Edward Sullivan, and Kenneth Chapman, visited several Indiana counties to introduce them to the concept of community foundations. Those first visits proved unsuccessful. Johnson said the failure was nobody’s fault. “One of the things I learned from that [experience] was you can’t just do a little bit and expect something to develop” (Johnson, 1995). Yet, according to two other pioneers on the visit, the failure was partly due to a “cultural clash” between a fundraising expert participating in the visits and Indiana communities (Bakken, 1995).

The fundraising expert was a well-respected grassroots fundraiser. However, being liberal and progressive, with a strong sense of social justice, her approach was viewed as incompatible with the conservative culture dominating much of Indiana. According to the pioneers of Indiana's community foundations (1995), the expert's emphasis on inclusiveness did not match with the beliefs of leaders of Indiana's smaller communities. Instead, these leaders believed the community foundation should first engage the most powerful and resourceful people in a community.

Although the initial attempt was unsuccessful, Johnson believed the Indiana communities he visited had both the necessary enthusiasm and potential to develop community foundations. John Mutz, who succeeded Jim Morris as President of Lilly Endowment in 1989, upon retiring from his position as Lieutenant Governor, gave his wholehearted support to the community foundation initiative. Support from Mutz gave Johnson confidence and courage, "Here is a man who knows all the byroads and highways of the state and thousands of people. He could see immediately that this would be a great thing to do. He encouraged me," said Johnson (1995). With support from Mutz, the community foundation project was approved by the board of Lilly Endowment.

3.4 Strategy and Infrastructure

In 1989 and 1990, Johnson started making a thorough plan for the community foundation project. He considered hiring a senior consultant to assist with the design and implementation of the project. His experience with the initial attempt to attract buy-in indicated a need to place greater importance on compatibility between Indiana community culture and the values of any hired consultant. The consultant should not only have knowledge and experience in community foundations, but also an understanding of Indiana's communities and respect for existing social structure and norms.

In 1990, Johnson invited two nationally renowned community foundation experts, Eugene Struckhoff and Helen Monroe, to the endowment to discuss the design of the community foundation project. Struckhoff had played a leading role in the creation of 140 community foundations across the United States. Monroe was born in Gary, Indiana and was Executive Director of the San Diego Community Foundation. She was described by her colleagues as candid, aggressive, and avant-garde. Both Struckhoff and Monrow were involved in creating the national agenda on the development of community foundations for the Council on Foundations. There was just one key difference between Struckhoff and Monroe's viewpoints. Struckhoff expressed concerns about Indiana community foundations since most would be founded in rural areas and small towns which may lack sufficient economic resources for the development of an endowment. On the contrary, Monroe believed Lilly Endowment "should leave communities to decide whether they want a community foundation or not" regardless of a community's population size (Personal communication, 2014). An interesting dialogue between Struckhoff and Monroe revealed their different views. During a meeting with Johnson, Struckhoff said to Monroe, "You just don't want community foundations in all these little communities, because all they'll ever do with their money is painting the bandstand and that's not philanthropy." Monroe responded, "If a community wants to paint the bandstand and decide to do it, I think that's great" (Monroe, 1995).

Lilly Endowment chose Helen Monroe over Eugene Struckhoff, as principal consultant. Compared to Struckhoff, Monroe was more compatible with the philosophy of Lilly Endowment and the culture of Indiana. Community leaders, rather than an outside authority, would have autonomy to decide what program and geographic areas to serve. Monroe's values accorded with the conservative culture of Indiana, emphasizing autonomy of communities and the importance of local consensus and leadership.

Although Struckhoff did not become principal consultant, the project created by Johnson was based on suggestions from both Monroe and Struckhoff, which included four key elements. First, the endowment would commit $47 million in grants over fifteen years to support at least twenty communities interested in building and strengthening the network of community foundations in Indiana. The numbers were based on critical elements of building a community foundation which included: building endowed assets, making grants, and becoming engaged in communities. As Helen Monroe pointed out (Personal communication, 2014), an unsuccessful community foundation is worse than no community foundation because failure not only wastes philanthropic resources but also damages donor confidence in community foundations. Therefore, it was recommended that the endowment make a long-term commitment to ensure the community foundations could become self-sustaining.

The second key element was for Lilly Endowment to provide three types of challenge grants: asset building grants, operating grants, and project grants. One reason the endowment used matching grants was to avoid "tipping" public charities. The asset building grants made a $1 for $2 match, ranging from $500,000 to $1.7 million. Community foundations determined how much they wanted. The purpose was to help community foundations quickly reach a three to five million dollar asset base. For most counties, three to five million dollars would make them the largest grant-makers in their county.

The operating grant was based on the notion that a community foundation needed at least one, half-time, paid staff member (Executive Director or an administrative role), an office (a shared space with other organizations or a donated office), and a telephone answered with the name of the foundation. These three expenses were deemed necessary and would be covered by the operating budget. The endowment would match up to one-third of the operating expenses, not to exceed $50,000 per year.

The third type was the project grant, which gave community foundations an opportunity to make grants and experience all aspects of running a community foundation. Moreover, the project grant helped communities learn how to work with nonprofits in their communities. The project grant was a $1 for $2 match, ranging from $10,000 to $100,000. Community foundations had complete flexibility in deciding how to use their project grants (Personal communication, 2014).

The third element of the plan was for Lilly Endowment to provide free technical assistance to community foundations. The purpose being to help executives, board members, and other stakeholders of community foundations understand the value and operations of community foundations and assist them in attracting challenge grants. Technical assistance included on-site consultations and workshops that community foundation members could attend voluntarily. The endowment itself was not willing to house a technical assistance team, preferring to be a grant-maker rather than a program manager. Thus, it had to select an institution to operate the technical assistance program. Ultimately, Lilly Endowment chose IDA, the institution where the pioneers of Indiana's community foundations formed close relations. At that time, IDA was still unincorporated, but it displayed potential as an independent membership organization. The expectation of Lilly Endowment was, fifteen or twenty years later, IDA would serve as the voluntary association of Indiana community foundations to connect, manage, and promote the field without support from the endowment (Maza, 1995).

The fourth and final element that both Struckhoff and Monroe recommended was to consider a county as the appropriate geographic unit for a community foundation, and to encourage coalitions of community foundations - or community funds - across several counties. Having several community foundations in one county was deemed problematic, as individual community foundations may lack a sufficient population base and wealth to sustain it. However, so long as community foundations raised enough funds to meet the challenge, Lilly Endowment would make grants even if there was more than one community foundation in a county (GIFT Office, 1992).

3.5 Take-off

On June 24, 1990, Lilly Endowment formally announced the GIFT initiative, which stood for Giving Indiana Funds for Tomorrow, a name proposed by Helen Monroe’s husband (Personal communication, 2014). The announcement broke an unwritten Lilly Endowment rule of practice. The endowment’s founder, Eli Lilly believed the best gifts were given anonymously, and all previous gifts were announced by grantees rather than Lilly Endowment (Maza, 1995).

In the news release, the endowment’s Chairman, Thomas Lake, said, “we believe the best way to assist Indiana communities is to help them generate local solutions to local problems.” John Mutz noted that Lilly Endowment elected to fund community foundations because they could place communities in a position to define their own challenges and develop their leadership. Mutz also emphasized that community foundations provide “neutral turf” where individuals with diverse viewpoints can meet to achieve a consensus while offering a flexible vehicle for individual donors, of either modest or vast means, to make contributions. Johnson highlighted that there was no other comprehensive effort of this magnitude to create a statewide network of community foundations, and there would be “vast reservoirs of wealth and good will in Indiana that this effort will tap and mobilize” (Lilly Endowment, Inc., 1990).

Besides the formal announcement, the endowment tried to reach Indiana counties through person-to-person contact. As former Lieutenant Governor, Mutz was familiar with people and stories in every county and town in Indiana so he helped to identify and contact community leaders. Nancy DiLaura, who previously worked in the Governor’s office as Deputy Press Secretary and primary speech writer, assisted with spreading the word to Indiana communities. Her expertise in communications and her familiarity with Indiana communities helped the GIFT Initiative reach local community leaders and key community organizations, targeting Mayors and Chambers of Commerce in particular.

After the formal announcement, the response from local communities was overwhelming. DiLaura and Johnson got hundreds of calls from local communities during the first six months (DiLaura, 1995). From 1990 to 1991, led by Helen Monroe, a resource group that included the pioneers of Indiana’s community foundations came to local communities to explain the idea and philosophy of community foundations. For the most part, initial conversations between GIFT Initiative representatives and community leaders occurred in cafés. Monroe, Johnson, and other resource group members travelled around the state and talked to people expressing interest in establishing a community foundation. In addition, the technical assistance team held workshops for local attorneys and CPAs. The purpose of these workshops was to increase awareness of community foundations among those who have a higher likelihood of success working with potential donors (Indiana Donors Alliance, 1993).

In 1992 alone, 35 community foundations received grants from Lilly Endowment and approximately 20 more requested funds within the next year. Of the $47 million commitment to community foundations, nearly all of it was designated by the end of 1992. That same year, the endowment's board of directors decided to add an additional $13 million to its commitment, for a total of $60.1 million allocated to the GIFT Initiative in 1992 (Lilly Endowment, Inc., 1992).

3.6 Seeding

A key concern of the endowment was how to help the community foundations fall into harmony with the existing philanthropic institutions and community mores. Kenneth Gladish, one of the key players in GIFT Initiative and former President/CEO of Indianapolis Foundation, described the culture of Indiana communities as "conservative populism," which indicates local skepticism to central power, active civic involvement at the local level, the importance of community consensus, and the vitality of township life (Gladish, 1995).

In general, the GIFT Initiative was designed to be compatible with Indiana's culture. It conformed to Hoosiers' devotion to locality as well as their aversion to central power. In coping with local people's suspicion of monolithic power, Lilly Endowment regarded community foundations as partners and colleagues instead of beneficiaries

(Maza, 1995). The technical assistance team gave advice to local communities but did not intervene in the decision-making process of community foundations. Moreover, the GIFT Initiative gave community foundations autonomy and flexibility over how to use their project grants. In one case, a community foundation attempted to use the project grant to build a garage, which was considered a debatable project, but Lilly Endowment approved the grant (Adele, 1995). Johnson explained why the endowment supported this approach, “people out in X, Y, Z community know better what needs to be done then Lilly Endowment does.” He believed that most community foundations made good use of the flexibility offered to them and benefited their communities in creative ways (Johnson, 1995).

Another challenge the endowment encountered was how to help community foundations build cooperative relationships with nonprofits in their respective communities. It was possible nonprofits might be concerned that community foundations would take away their funding sources rather than provide improved access to funding. Given that such mindset could threaten the viability of community foundations, Lilly Endowment designed two strategies to address it. First, project grants that Lilly Endowment matched the grant-making of community foundations sought to facilitate cooperative relationships between community foundations and other nonprofits. By making grants, community foundations would build partnerships with local nonprofits. Moreover, by creating their own funds in community foundations, local organizations could raise and manage funds through community foundations to save administrative costs.

The second strategy Lilly Endowment applied to assuage nonprofit concerns was through its technical assistance program, which fostered a narrative that community foundations were partners rather than competitors to local nonprofits. Lilly Endowment, Inc. chose to stay out of these affairs; however, they engaged a technical assistance team to allay possible concerns of local nonprofit organizations.

Bruce Maza, a Program Associate for the GIFT Initiative technical assistance team, contributed to creating the desired narrative. Along with other community foundation pioneers, Maza found a way to deal with the relationship between community foundations and the United Way. Using a simple analogy, he compared the relationship between United Way and community foundations to a checking account and a savings account. Although both were needed to serve communities, it was stated that community foundations and United Ways have distinct focal areas and funding sources. Community foundations raise funds for perpetual endowment and United Way organizations raise funds for current and immediate needs (Monroe, 1991).

Regarding the relationship with other endowed charities, such as higher education institutions and museums, the technical assistance team indicated that rather than being a competitor of endowment funds, community foundations would enhance the legitimacy of endowed philanthropy and justify the value of endowment giving. Using Bruce Maza's words, instead of giving for current and immediate needs, "endowment gifts inevitably give a donor an opportunity to go against his or her mortality…it is a way for the donor to look into a future which they will not participate, but do in fact have some views on what the future ought to look like" (Maza, 1995). Furthermore, Maza emphasized that difference between community foundations and other endowed charities. While other endowed charities persuade donors to recognize and support their organizations' respective missions and programs, staff members of community foundations provide donors a vehicle to realize their own goals. In his words, community foundations build "a remarkable objective third party relationship that is based on the ability of representatives of community foundations to be sensitive and to honor the donors' devotions, hopes, and fears" (Maza, 1995).

Through carefully designed challenge grants and a technical assistance program, the GIFT Initiative planted the seed and nurtured the concept of community foundations in local communities, helping them to build partnerships with local nonprofits. The endowment respected the autonomy of communities and gave flexibility to community foundations to determine the use of available grants. Using thoughtful narratives, the technical assistance team shaped public perceptions of community foundations, which helped create a favorable environment for them to operate in local communities.

3.7 Conclusion

By 2014, Indiana had 94 community foundations and affiliates with assets totaling approximately $3 billion (GIFT Office, 2015). The GIFT Initiative not only helped create new community foundations, it also helped revitalize existing community foundations. Influenced by the GIFT Initiative, the Indianapolis Foundation, which previously only accepted unrestricted gifts, proactively started fundraising to attract various types of funds, including donor-advised funds in the 1990s.

A historical analysis suggests three key factors contributed to the expansion and transformation of community foundations in the state of Indiana, each attributed - directly or indirectly - to Lilly Endowment's GIFT Initiative. First, Lilly Endowment made a long-term commitment to support the development of Indiana community foundations, providing challenge grants, technical assistance, and other support programs (internship programs, funding for strategic planning, evaluation, etc.) since the 1990s. Second, networks of nonprofit leaders, especially the network developed by Indiana Donors Alliance, provided technical assistance and facilitated a mutual aid network of community foundations. Through IDA, nonprofit leaders in private foundations, corporate foundations, and community foundations formed coalitions for collective action, effectively combining top-down and bottom-up efforts.

IDA developed a mutual-aid group among Indiana community foundations. In 1992, neighboring community foundations started holding informal meetings to share and exchange ideas and experiences, which developed into five regional groups and a Community Foundation Technical Assistance Advisory Committee within IDA. The Advisory Committee was described by Helen Monroe as a determining element of the "self-sufficiency" of Indiana's community foundation field (Indiana Donors Alliance, 1995). She pointed out that technical assistance and challenge grants would not last forever—thus, the maturity of Indiana's community foundations would be defined by whether the field develops its own experts in multiple areas and can solve problems through mutual aid. The Indiana Community Foundation Advisory Committee facilitated mutual-learning among community foundations, institutionalized the idea of community foundations, and spread the culture of endowed philanthropy at the state level. Since there is only one community foundation in a defined geographic area, having a collective voice to advocate for the field at the state and national level proved necessary for building a welcoming environment in local communities.

The third factor contributing to the growth of community foundations in Indiana is attributed to the cultural fit. The design and strategy of the GIFT Initiative suited local conditions and culture. Lilly Endowment made a concerted effort to adapt to local conditions, which was reflected in its selection of a consultant and in the autonomy it gave to community foundations regarding the use of their grants. By designing a program around local needs and conditions, community leaders proved more willing to establish community foundations.

The GIFT Initiative was considered a huge success by Lilly Endowment and other people involved in the project (Indiana University Center on Philanthropy, 1995). According to Monroe and Johnson (1995), before the GIFT Initiative, no one could offer an accurate estimation of the philanthropic potential of Hoosiers, and no one knew exactly how deep the pockets of Indiana communities were. As it turned out, the response from local communities and the growth of Indiana community foundations exceeded expectations. Specifically, several Indiana communities, which were considered to be the poorest in the state, managed to develop rather sophisticated community foundations. Although the assets of individual Indiana community foundations are not comparable to big metropolitan community foundations, smaller amounts of money could produce positive changes in a rural community, and local people could feel and see the benefits of small grants more readily, which is a notable and distinguishing feature of community foundations in small communities (Johnson, 1995; Sullivan, 1995).

Despite their impressive growth, the continuing success of Indiana community foundations encountered three possible challenges.

The first challenge to consider relates to the changing definition of the term "community". Most Indiana community foundations are county-based. This is partly because Lilly Endowment contacted community leaders, county-by-county, regarding the establishment of community foundations. Yet, with increasing mobility, a county may not necessarily reflect how people identify their community. As pointed out by Emmett Carson (2014), CEO of the Silicon Valley Community Foundation, people are now more mobile - often they were born, live, and work in different communities, which makes them less likely to feel a strong connection with one location. Although traditionally Hoosiers have deep local roots and strong attachment to local communities and continue giving to community foundations even if they move to other states, this changing identity and social interaction pattern in communities may challenge the concept of placed-based giving.

The second challenge is about the effects of matching grants, a key strategy used by Lilly Endowment to leverage local giving. Lilly Endowment provided 12 years of matching grants from 1990 to 2002 to Indiana community foundations. In reports prepared by GIFT Initiative Technical Assistance Office, consultants expressed the concern that long-term provision of matching grants might nurture community foundations' dependence on Lilly Endowment and reduced their own efforts to seek funding (Indiana Donors Alliance, 2001). Were matching grants effective in leveraging giving in the long run? Did matching grants crowd out the incentives of organizations to seek local support through their own efforts?

The third challenge is the tension between empowerment and effectiveness. Lilly Endowment gave autonomy and flexibility to community foundations and put trust in local wisdom. However, it remains unclear whether establishing community foundations in small communities is more effective than alternative approaches. Brian Payne, Executive Director of the Central Indiana Community Foundation, indicated that a vibrant community foundation should have at least $10 million in assets to be effective in a speech. In 2016, nearly a third of Indiana community foundations had not met that goal (GIFT Office, 2015). However, the economy of small and rural communities has fundamentally shifted. Corporations moved from small towns to big cities, while the traditional economic base of rural communities is diminishing or becoming highly transitory (Major, 2014). It is uncertain whether community foundations in small rural communities can have sufficient resources to deal with the disruptive power of the internet and competition from national commercial financial institutions. Can issues, whose causes are not solely local, be addressed at the local level?

In the following chapters, I provided responses to the first and second challenges based on empirical research. The third challenge requires comparative studies of multiple initiatives, which is beyond the scope of this dissertation. Hence, in the concluding chapter, I discussed my observations on this potential challenge.

Chapter 4. Explain Community Foundations' Performance of Garnering Local Support, Part I: Community Identity

In the GIFT Initiative, most community foundations are county-based. However, do people identify county as their community? And if they do not, is this a possible explanation for why they do not give to the community foundation? In this chapter, community refers to place or locality unless specified otherwise. Community identity is defined as the perception of oneness with or belongingness to a place and the group of people bonded with the place.

In my preliminary fieldwork, potential donors' lack of identification with the county as a meaningful community surfaced as the working theory among staff and board members in the local community foundations. They offered this explanation to account for the relatively low level of giving to suburban community foundations. First, informants indicated that people in suburbia might not identify with and thus give to where they live (i.e. Staff and donor interview, 8, 36, 53). In particular, new residents who were not born and raised in suburbia and commuted to Indianapolis for work seemed to identify more with the central city where they worked than the community where they lived:

> Indiana community foundations are really identified and rooted in our county. That is both a blessing and a curse. Especially in our county, which is the fastest growing area in the state, people are coming in, coming in, coming in, so we have a challenge of saying, hey, this is your community, let's get you involved here, let you give here, which is hard when they are not from here. They may not work here, they may commute to Indianapolis, and that becomes their identity and community, so they are giving to Marion County organizations. (Staff interview, 36)

Second, they pointed out that for the residents who identify with where they live, they identify with distinctive communities within the county (i.e. churches, school districts, towns), and have not yet developed a common identification with the entire county. This more local identification, according to interviewees, limits their giving to county-based community foundations. An interviewee pointed out:

> I don't think there is a strong sense of Boone County. There is actually like three Boone Counties. One is Zionsville, which is very much a suburb of Indianapolis. Then you have Lebanon, which is the county seat...Then you have the Western Boone area which is all agriculture…So our community foundation has to speak all three languages, all three cultures. Each community has its own public school district. And it is not the people dislike each other or don't get along. But there is no doubt that everybody just gets its own spot in Zionsville that is different from Lebanon and is different from western Boone area…So that is the biggest challenge in Boone County. (Donor interview, 35)

Another interviewee commented on the competition between community foundations and local institutions in faith-based communities:

> For a lot of people, church is their tribe, people tend to contribute to their church, so you (the community foundation) are competing with that. That's the biggest issue, that is, where they donate, who is their tribe, what is the financial need of that tribe. (Donor interview, 48)

For ethnic minorities, interviewees reported their identification with their ethnicity supersede place-based identity, partly because they had the experiences of feeling isolated in the communities (Non-donor and resident interview, 24, 51). The issue of heterogeneous identities regarding religion and ethnicity are likely to come up in other communities, which created additional challenges to suburban community foundations.

However, was the identity issue really a critical challenge for Indiana community foundations? In particular, to what degree did the two concerns raised by the staff and board members reflect the reasons resident offer for giving to community foundations?

To what degree could community identity explain donors' decisions of giving/not giving to community foundations? Gathering information from donors, non-donors, and residents in suburban counties and consulting external informants who are leaders of other community foundations and nonprofit organizations, I assessed the explanations given by staff and board members about why people didn't give to the community foundations and provided my answers to these questions.

This chapter contains three parts. In the first part, I describe the rationales for giving/not giving to suburban community foundations and the roles of community identity in giving decisions. In the second part, I assess the first concern raised by community foundations that the lack of support for the community foundations is the result of newer residents identifying with Indianapolis rather than suburbia. Finally, I evaluate the second concern that whether heterogeneous community identifications within the county, where potential donors identify either with towns or cities within the county or other local institutions, hinder residents' giving to community foundations.

4.1 Community Identity and Giving

In this part, I examine to what degree community identity explains giving/not giving to community foundations. First, I illustrate that community identity is an important rationale for giving to local community foundations and describe the mechanism of influence. Second, I explain identification with community alone does not inherently lead one to give to the community foundations. Third, I list prospective donors' accounts for not giving to the community foundation and highlight that the lack of community identity is not the primary challenge that hinders giving.

4.1.1 Rationales for giving: Community identity

In my interviews, I started with an open-ended question asking donors to elaborate why they gave to community foundations, and then they were asked follow-up questions whether identification with/a feeling of attachment to their county was an important reason for giving. 19 out of 35 donors interviewed mentioned reasons associated with community identity in the first place (i.e. "I want to give back to my community", "I like my community", "I want my community to be a better place to live", "I like the idea of giving to the whole county"). All of the 19 donors acknowledged community identity as an important reason for giving in the follow-up question.[11] Analyzing the narratives of the 19 donors and applying social identity theory, two mechanisms linking community identity and giving to foundations emerge.

Community identity as a motivation for giving

According to social identity theory, group identity involves the self-categorization process that makes salient the distinction between "us" and "them". Psychological research demonstrates that pro-social behaviors toward group members are motivated by group identity through strengthening individuals' perceived association with group members and disassociation with outsiders (Hornstein, 1976). Correspondingly, the interview data show that community identity motivates giving in two ways—reciprocity and shared fates.

Reciprocity. Community identity motivates giving to community foundations primarily through the mechanism of *reciprocity*, a social norm of responding to a positive action with another benevolent action. Community identity strengthens the perception

[11] I asked 25 out of 35 donors whether community identity was an important reason for their giving to community foundations, and all of them said yes.

that their community contributes the most to individuals' success and well-being than anyplace else, making donors prioritize giving to community members. As a donor indicated,

> A lot of times that I felt sorry for people outside of this community who are struggling, but I do not have enough to help them. I give very little to national organizations. Anything I give, I want to keep it home. That is where it came from. People helped me, and I want to put it back. (Donor interview, 70)

"I want to give back to my community" is one of the most common interpretations for giving to community foundations: over thirty percent of donors interviewed mentioned "giving back" as they explained why they gave. When interpreting the meaning of "giving back", one group of donors referred to their *physical bonding* with communities. Donors indicated that community is where everyday life took place, "I grew up in this community, and my kids grew up in this community", or "I live and work here, 10 hours a day, six days a week" (Donor interview, 54, 58). The other group emphasized *social bonding*—the association with the people in their communities. Donors highlighted the mutual support among community members:

> I think [name] county very much has a warm, fuzzy feel, I just like that. We all support each other. We shop local, because we know the person who owns a store, maybe 10 dollars more expensive, but you help them to pay bills…The overall theme is let's stay here, let's give back here, let's shop here, let's support here. (Donor interview, 74)

Businessmen, in particular, perceived giving as a return of economic support from community members:

> This town gives me good labor force. It has been given to me more than what I have given back to it. So I am trying to help it grow as much as I can. Anyone who is in business, doesn't matter whether it is a small company or large company. If they are not giving back to that community, shame on them. (Donor interview, 72)

The interview data show that donors' perception of their physical and social connections with the community generated gratitude and a feeling of obligation. Giving to community foundations is different from giving to outside organizations: donors emphasized their interests in specific issues, i.e. health, environment, culture, as they offered the rationale for giving outside, and "giving back" was rarely mentioned (Donor interview, 18, 55, 56, 70, 71).[12] Similar to the gift economy in a traditional society described by Lewis Hyde (1983) that gift giving is bonded by "the contract of heart"—a feeling of obligation to give, receive, and reciprocate, giving to community foundations is perceived as passing down and circulating gifts, and community identity defines the boundaries of the gift circle.[13]

Shared fates. Community identity strengthens the recognition of mutual dependence and shared fates of donors and other community members that helping the community is helping themselves. It prompts giving to community foundations in three ways. First, donors viewed giving to the community foundation as an *investment* in the future prosperity of their families, "it (giving) is not just for me, but for my grandkids too" (Donor interview, 72). A businessman described the interdependence between community and his company as a motive for his giving,

> Our company model is, the people make it happen. It isn't the inventory, the building, it is the people because the people have to make the products. They are the one that have the ideas, they are the one that have to work every day together. We've got to support those people and support the community they are in, and then it is everybody's benefits. (Donor interview, 72)

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[12] Some donors indicated that besides the community the lived, they also identified with the communities where they grew up, their church and university, and they used "giving back" to describe their motivation of giving in these cases.

[13] The causal relationship between a feeling of bonding with communities and giving could be the other way around: giving can be seemed as reinforcing donors' bonding with communities. In this chapter, I stress that perceived bonding with communities facilitates giving, which is supported by social identity theory.

Second, donors gave in order to improve the *positive distinctiveness* of their community in comparison with other communities, which corresponds to social identity theory that positive evaluation of one's group enhances individuals' self-esteem (Stets & Burke, 2000). In the 25th anniversary of a community foundation, a donor stood up and said, "I want to give to [name] community foundation because I want to make [name] county the best place in Indiana". In every retreat of community foundations I attended, donors celebrated the achievement of community foundations as if it is a success of their county and themselves. Giving to the community foundation was depicted as a symbol of the generosity of the whole county.

Third, donors *sympathized* with the suffering of their neighbors more readily. Donors indicated that they had been very fortunate financially, and it was painful to see their neighbors suffering (Donor interview, 13, 14).

I identified two mechanisms through which community identity functions as a motivation for giving—reciprocity and shared fates. Yet every donor is different and their identification with a community might influence their giving in complex ways —it could be a mix of the two mechanisms or dominated by one. The commonality is that in both mechanisms community identity strengthens the perceived association among community members and thus prioritizes local giving.

Community identity as a facilitator for trust

Donors acknowledged that community identity was a motivation for giving to local communities, but that does not fully explain why they chose local community foundations instead of outside institutions providing similar services: national DAFs and regional community foundations, i.e. CICF can steward local giving with lower administrative costs (Staff and donor interview, 36, 48). [14]

How do we explain donors' preference for local community foundations? An important reason is that community identity facilitates trust toward local community foundations (Donor interview, 34, 48, 58, 68, 70).[15] According to social identity theory, identification enhances perceived intragroup similarity and intergroup differences (Brewer, 1999; Hornsey, 2008; Turner, 1982). The feeling of similarity and differences engenders trust toward local community foundations and distrust toward outside institutions in two ways:

Similar interests and goals. Identification strengthens donors' perception that they have more shared interests with community members than outsiders. Donors had concerns that outside organizations did not necessarily care about their community. They felt uncertain whether the money endowed in outside organizations would circulate back to their community (Donor interview, 58, 70). While they believed that local organizations managed by local people had the common interest to enhance the well-being of their communities, "They (donors) feel almost immediately that you (the foundation) are one of us. People will give to that, they will commit to that, they will volunteer for that," said a staff member (Staff interview, 30).

Our Community is Different. Donors believed that local people had the best knowledge of the needs and priorities of their community as well as how to solve local

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[14] Some of the donors gave to both local community foundations and CICF/national DAFs. They used local community foundations to manage their local giving.

[15] In addition to community identity and trust, donors and external observers provided other reasons why donors favored local community foundations. (1) Donors are able to supervise how their money is used locally (Donor interview, 72, 74); (2) Donors can exert more influence and control. An interviewee used the phrase "big fish in a small pond"— "if you are a wealthy person in [name] county, and you are a big fish in that little pond, you come to Indianapolis, maybe not such a big fish" (Non-donor interview, 26).

problems. A key assumption behind this belief is that suburban counties are *distinct* from others in important ways. Donors indicated that outside organizations did not understand the unique structure and issues of their community (Donor interview, 34, 48, 68, 71). For example, when explaining why choosing the local foundation instead of CICF, a donor expressed that their county had needs that might be ignored by the foundation in the metropolitan area but were critical in their community (Donor interview, 68). Another donor said: "I am a firm believer the local community foundation better knows how to communicate with those charities" (Donor interview, 71).

To verify that community identity strengthened perceived intragroup similarity and intergroup differences and influenced trust toward local community foundations, I asked nonprofit leaders in Indianapolis who identified the whole Central Indiana as a community to assess these concerns. According to the nonprofit leaders in Indianapolis, the concern that outside organizations would take money away from local community was not valid: donors can designate their giving to anywhere they want and their designation is bonded by their legal contracts with the institutions managing their funds (External informant interview, 60). For the second concern about the uniqueness of donors' community, nonprofit leaders in Indianapolis argued that the differences among communities might be exaggerated:

> There are always people saying, 'we are very focused on my county; my county is different from other counties.' It is not…I don't know, the whole county thing is odd to me, the idea that some people on the other side of that street…they have different problems over there…this does not make sense to me. (External informant interview, 1)

These comments from Indianapolis nonprofit leaders are supported by my observation of local nonprofit events and interviews: many nonprofit organizations serving suburbia are regional or national organizations headquartered in large cities, and staff members at suburban community foundations did not necessarily have a better knowledge of the regional and national nonprofits (Staff interview, 57).

In sum, by comparing these comments, I find that identification invigorates perceived within group similarity and across group differences. For donors with a strong community identity, local foundations entail fewer concerns of "taking money out of the community". Moreover, donors believed that their community is so different from others that only local organizations can grasp the needs and address the problems. In short, community identity strengthens donors' belief that local community foundations can serve their interests the best.

4.1.2. Rationales for giving: Other reasons

Although most donors identified community identity as an important rationale for giving, it was not the only reason. Table 1 shows the accounts of donors as they explained why giving to community foundations.

Table 1. Donors' Accounts of Why They Gave to Community Foundations

Donor type	Community identity	Effective vehicle	Community leadership	Network opportunity	Asked by friends
Individual donors giving endowed fund	10/12	5/12	3/12	0/12	3/12
Other individual donors	9/20	4/20	9/20	4/20	4/20
Institutional donors	0/3	3/3	0/3	1/3	0/3
Total	19/35	12/35	12/35	5/35	7/35

Notes: Donors typically listed more than one reasons.

Community identity is the most common reason mentioned by donors (19 out of 35 donors). Yet other reasons are no less important. Twelve donors indicated that they gave to community foundations because it is *an effective vehicle* to achieve their philanthropic goals.

Individual donors setting up endowed funds indicated the following advantages of community foundations as a philanthropic vehicle. (a) Permanency: leave long-lasting impacts through setting up permanent endowments (Donor and staff interview, 57, 61, 70); (b) Efficiency: make planned giving convenient and efficient. For example, making changes to designated charities is easier through community foundations than through estate planners; having community foundations manage endowed funds are more effective than establishing family foundations (Donor interview, 48); (c) Accountability: have their philanthropic dollars watched by nonprofit experts (Donor interview, 58); (d) Control: allow donors to designate their dollars to very specific purposes, i.e. sponsor sports uniforms at a school (Financial advisor interview, 32) (e) Flexibility: adjust the direction of giving according to changing needs of the community (Donor interview, 73, 74); (f) Passing down philanthropy: educate children about giving and philanthropy (Staff interview, 30); (g) Tax benefits (Donor and staff interview, 30, 57, 71); (h) Professional advice: receive philanthropic advice, expand knowledge about nonprofit organizations, and enhance the impacts of their giving (Donor and staff interview, 58, 61, 70).

For institutional donors setting up agency funds, community foundations were effective vehicles for managing complicated gifts and permanent endowment to sustain the perpetuity of their nonprofit organizations (Donor interview, 35, 40, 53). Small local organizations without 501(c)(3) status could raise and manage funds through community foundations (Donor interview, 47). For corporations, community foundations can provide a shield for solicitations from other nonprofit organizations (Staff interview, 30).

For donors attending the women's giving circle, who are mostly professional women, it fitted their busy schedule and helped them learn and give to local nonprofit organizations effectively. Through collective efforts, they can make big impacts with a small amount of dollars (Donor interview, 56, 84).

The other important reason for giving is that donors valued the *community leadership* role of community foundations. In particular, community foundations served as the convener of local nonprofits and community leaders from multiple sectors. A board member indicated that their community used to be connected by local churches. With the merger of local churches into mega churches, the community foundation became the connecting point for a community (Donor interview, 16). Donors believed that foundations had the potential to make significant community impacts through facilitating collective efforts and initiating joint projects addressing the most pressing community issues (Donor interview, 29).

Finally, donors found giving to community foundations joyful because they met and *networked* with other donors and recipients (Donor interview, 54, 55). Nonprofit leaders who set up agency funds valued the opportunity to learn other nonprofit organizations in the community (Donor interview, 47). Seven donors indicated that they gave mainly because they were asked by friends. Therefore, community identity is not the only reason for giving to community foundations.

Moreover, for some donors, community identity is not the primary reason for their giving. I interviewed young board members who just moved to the community and deeply engaged in community foundations. They particularly valued the community leadership roles of community foundations and the networking opportunities:

> I own a house here, so I want to be connected here. I want to build my professional network here. I want to know what is happening here in [county name]. Through a former colleague, I met [a board member of the community foundation]. She is one of the most connected people. She

> said, you should meet you should meet [person name] at the community foundation. (Donor interview, 52)

> You (community foundation) are the hub of other organizations…you are the central focus of a lot of resources, and I have found over the years that I want to do my part to impact the movement of the foundation forward. (Donor interview, 73)

Being a board member of a community foundation created challenges, and at the same time, excitement and a sense of achievement to their lives (Donor interview, 73, 74). Community foundations were a platform for young people to make social changes.

In addition, I found that in general, community identity was not an important consideration for giving for most of the interviewees. I asked twelve donors of community foundations to elaborate how they chose the nonprofits they gave to. Although seven out of the twelve community foundation donors gave most of their dollars to local communities, only two donors clearly articulated they prioritize local giving, and two donors indicated that they preferred local organizations merely because they saw the needs and knew the organization and the impact the organization has made instead of their community identity that they care more about local people. Interviewees made choices primarily based on issue areas that are interesting to them, personal connections, and organizational efficiency. "I think people will give to causes more than demographics", said a major donor (Donor interview, 58).

4.1.3 Reasons for not giving

Through the informal interviews with thirteen non-donors who have been in touch with community foundations through events, grant-making, and giving circles, I found that *awareness* was the most common reason mentioned by interviewees for not giving any money or large endowed funds to community foundations. Six out of the thirteen non-donors did not know the mission of the foundations or were not aware that community foundations can manage endowment and donor-advised funds. According to local nonprofit leaders, most of their board members knew community foundations as grant-making organizations but were not aware that community foundations can manage individual philanthropic funds (Donor interview, 47, 83). In addition, I had conversations with seven residents who made donations to local charities and expressed willingness to expand their community engagement. None of them heard of community foundations. An active community volunteer commented, “I don’t think the community foundation did a good job marketing themselves. I knew the community foundation because I searched for them, not the other way around. They have never reached out to me” (Non-donor interview, 23). Therefore, the challenge was that community foundations have not yet reached all the prospective donors who have already committed to local communities. I will discuss this issue in detail in the next chapter.

Second, four non-donors who were fully aware of the community foundation but chose not to give at all or make large donations expressed that they *were not convinced that community foundations were an effective vehicle for their giving*. (a) Non-donors preferred *giving directly to nonprofits* instead of through intermediaries. They knew which nonprofit organizations they wanted to support and no longer needed the advice from community foundations (Non-donor interview, 26, 29). In addition, local nonprofits gained the capacity to manage complicated gifts, and their donors no longer needed to set up funds through community foundations (Non-donor interview, 29). (b) A donor complained the relatively *high administrative fees* of suburban community foundations (Non-donor interview, 76). Community foundations were not able to have as low administrative fees as CICF and national DAFs due to the lack of economies of scale (Staff interview, 36).[16] Their investment and financial services were less sophisticated than their competitors: the process to manage a fund through community foundations was complicated and time-consuming, and community foundations rarely communicate donors after they set up the funds (Non-donor and external informant interview, 66, 76). Some donors chose CICF and national DAFs due to lower fees and higher efficiency in making transactions (External informant interview, 60). (c) According to my interviews with nonprofit leaders in Indianapolis, some donors inclined to use national DAFs or CICF instead of local community foundations because they believed that outside organizations can better protect their *anonymity*. They hid their wealth and philanthropy from neighbors in order to avoid overwhelming solicitations (External informant interview, 60).

Third, two donors expressed *dissatisfaction with community foundations' capacity to convene community organizations and make collective impacts*. A donor who was hesitate to give more to a community foundation indicated that the foundation needs to do more than sending thank you notes: "if the foundation is saying, thank you for your gift which helps me to fund this this and this, this tends to be more tactical. In other words, the foundation is not engaging me as a donor on strategic issues on my community" (Donor interview, 29). He also pointed out that the community foundation was not being

[16] CICF charged individual donors a 1% administrative fees and a 0.55% investment fee for non-scholarship endowed funds between $25,000 and $1 million, and the fee rates degraded when the fund balance goes beyond $1 million. Fidelity sets minimum fund balance to be $5,000 and charges a $100 or 0.6% (whichever is greater) administrative fee and a 0.015%-1.11% investment fee. The thresholds of suburban foundation range between $1,000 and $15,000, yet three out of the four suburban community foundations charged 1.25% to 2% administrative fees, and one foundation charged a 1% administrative fee. Therefore, the fees of suburban foundations are higher than national DAFs if donors' fund balance is above $20,000 and higher than both CICF and national DAFs if the fund balance is above $1 million. The information about fee structures are found in community foundations and Fidelity's websites.

aspirational in making big impacts and thinking expansively about needs in the community, which made him hesitant to commit a large gift:

> The concern I have about the community foundation, very often, is that it just sort of giving small grants to many organizations as opposed to saying, here are five areas of emphasis in our community, and we would like to direct most of our funding this year to these five areas…it has boards that don't want to upset anybody…they would get a request from an organization that has their friend served on it [which does not fit their grant-making focus], and they need to learn how to say no to that organization…if I only hear that the foundation is thinking about, here are the things that can be done for a thousand dollars or five thousand dollars or ten thousand dollars. Frankly it doesn't make me to think of the community foundation as the place that is attempting great change. They are not being aspirational. (Donor interview, 29)

Finally, for ethnic minorities and people caring about diversity issues, community foundations were perceived as dominantly white organizations which did not actively engaged in promoting diversity. For ethnic minorities, one of the most uncomfortable experienced in suburbia was living in a very white community and feeling unwelcomed by their neighbors. From their perspectives, community foundations did not take meaningful actions to address this issue (External informant, 24).

In essence, community foundations serve as a vehicle for donors to give conveniently and effectively and an anchor for social change. According to the narratives of donors and non-donors, the biggest challenge is not that donors do not want to give locally. Instead, it is that they are not aware of community foundations; and even if they are, they are not convinced that local community foundations are the best vehicle for their philanthropy, make community impacts as expected, and take sufficient efforts to create a welcoming and inclusive community. Given the high administrative fees, if community foundations cannot demonstrate their values other than helping donors do transactions, donors will give directly to nonprofits, and their market would be gradually eaten up by regional and national organizations.

In sum, in this section, I provide evidence that community identity is one rationale for giving to community foundations, but the lack of community identity does not explain why people do not give to community foundations. As an external observer rightly put it, the problems of community foundations in suburbia are not the incapability to engage people who do not feel attached to their community but how to deeply engage the people who already care about and want to engage in local communities (External informant interview, 44).

4.2 Give Where You Live

It has been a concern for community foundations that new residents who commuted to Indianapolis for work were more identified with Indianapolis than suburbia. In contrast, I observed a strong tendency to separate suburbia from city and to favor suburbia over city. In my encounters with new residents, they referred to suburbia as "home", which was distinguished from where they work (Donor and resident interview, 35, 74, 81). They described their choice of living in suburbia as escaping from the city: suburbia represents a different lifestyle compared to big cities—closer social relationships, larger living spaces, higher level of safety, lower traffic, and lower population, which are the benefits that Indianapolis cannot provide. "They (suburbanites) think they are better than Indianapolis", said an interviewee from a suburban county (Resident interview, 85).

Moreover, local government endeavored to develop the identity of suburbia as a distinct community. They built arts centers and shopping malls so that residents do not need to go to Indianapolis for entertainment (External informant interview, 21, 22, 28). Part of the reason for the government to separate suburbia from Indianapolis is the tax system. There are significant infrastructure issues in Indianapolis that have to be addressed by the virtue of tax revenues. Wealthy people migrated to live in suburbia but work, play, and take advantage of the facilities and activities that Indianapolis offers without paying all the Marion County taxes which built the facilities. Political division is another reason for the separation. Because of the establishment of the unigov, the politics of the city have changed: Indianapolis becomes more of a Democratic city, and suburban counties are more Republican.[17]

As Kenneth Jackson (1985) pointed out in *Crabgrass Frontier: The Suburbanization of the United States*, the term "suburban" in the past implied a relationship with a city, but today, it represents a distinction from the city.[18] The economic connections between city and suburbia are deepening, but culturally and politically, suburbia is separated from Indianapolis as two distinct communities.

The tendency to separate suburbia from the city helped maintain the independent status of community foundations in suburbia. In the 90s, CICF attempted to partner with community foundations in suburban counties, and only the Legacy Fund of Hamilton County became an affiliate. No progress regarding multi-county collaboration has been made since then, not even a discussion about sharing back-offices. In recent years, a

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[17] Unigov describes its consolidated city–county government. Indianapolis consolidated with the government of Marion County in 1970.

[18] It is true that some residents living in bedroom communities, i.e. Zionsville and Greenwood identify more with Indianapolis than their counties, which is the community fragmentation issue to be discussed in the next part of my essay, but most residents I talked to either see the place they live as their primary geographic identity or they equally identify with the community they live and the city they work.

board member of a suburban community foundation attempted to bring up the issue, and she found that there were very few interests across the board (Staff interview, 45).

Now there are seven community foundations in Indianapolis and suburban counties. Most services provided by these community foundations overlap. From economies of scale perspective, having independent foundations in each county is inefficient: overheads are high, and mergers can dramatically reduce administrative costs and improve managerial efficiency (Staff and external informant interview, 27, 30, 45) Regionalization of central Indiana has deeply shaped local economic and social sectors that many companies and nonprofit organizations are regional-based (External informant interview, 22). But community foundations in suburbia are concerned that they would lose local support by being an affiliate (Staff interview, 30, 60). My interviews with current donors and board members confirm this assumption: donors, including new residents who moved to the suburban county and work in the city, clearly expressed that they would reconsider their giving if community foundations lost their independent county identity (Donor interview, 34, 48, 72).

Donors' intentions to only support local community foundations are associated with their identification with suburbia, as distinct from the city. Given the discussion of how community identity affects giving in Section 4.1.1, there are two mechanisms at play. First, some suburbanites prioritized their giving to suburbia instead of the city because they did not see many connections with the city except for their work (Staff and donor interview, 35, 57, 73). They only wanted to give to the community where they lived, and the money to Indianapolis was perceived as being taken away from their community (Donor interview, 58, 70). The separation of suburbia and the city becomes so severe that nonprofit leaders in Indianapolis expressed concerns:

> Communities should hope the major Metropolitan area does well. If crimes develop in the major Metropolitan areas, it will ultimately harm the entire region. So the surrounding counties should be very concerned about what is happening in Marion County. Sometimes people said, 'we are more important, and our issue is more important.' That worries me because really both matter. We live in a culture where people think you are different from me, and I am different from you, and we are all different. (External informant interview, 27)

Second, donors were not certain whether they should trust the organizations in Indianapolis. Suburbanites viewed the expansion of Indianapolis and regional organizations as a threat to local autonomy. They were worried about the *domination* of big cities. Being an affiliate of CICF is perceived as being "swallowed up by the big city." (Donor interview, 35) They did not have enough confidence that if under mergers, the foundation in the large city would respect and celebrate the differences and uniqueness of their communities. (Donor interview 48, 68) A donor used a metaphor, "If you are making soup and you are putting in an elephant and a hair of a rabbit, you still pretty much come out with elephant soup" (Donor interview, 68).

In metropolitan areas, it becomes a national trend that suburban communities set up geographic affiliates in metropolitan community foundations which are governed by local boards. Even though this is an arrangement to improve financial and managerial efficiency, local donors indicated that legally, metropolitan foundation boards had the ultimate control, which provided a leeway for big cities to dominate the operation of local affiliates. For them, it was too risky to trade in local control for efficiency, "We don't want the one in the larger city to determine what we can fund," said a founder of a community foundation (Donor interview, 68).

The concern about the domination of large cities is consistent with the research findings of social psychologists: although in-group favoritism does not necessarily turn to out-group prejudice, when outgroup constitutes a threat, identification with group members will lead to antagonism toward outgroup (Brewer, 1999). In particular, members of disadvantaged or subordinate groups are more inclined to show strong skepticism toward the dominant outgroup (Duckitt & Mphuthing, 1998).

In all, I describe the tendency to separate suburbia from the city, and even new residents who worked in Indianapolis embraced the idea that suburbia and Indianapolis are two separate communities. Nevertheless, given the limitation in sample size, it is possible that a significant number of new residents identified with Indianapolis instead of the suburbia they lived, which might have a negative impact on community foundations' fundraising. Yet as discussed in Section 4.1.2, the primary issue was that suburban foundations have not yet reached all the residents who were committed to local communities and willing to engage. In my interviews, new residents expressed a feeling of isolation and were particularly eager to engage in communities to expand their local networks, life chances, and social impacts (Resident interview, 81, 82; Donor interview, 52, 73). As suggested by two well-connected new residents, except for the people who only stayed for a short period of time, did not have kids, and worked in shifts, people cared about their community and can be the supporters of community foundations, as long as the community foundation properly communicated the needs of local communities to them. But the problem is they have never heard of community foundations (Donor interview, 58, 73).

4.3 Community Heterogeneity

4.3.1 Heterogeneity in community identity and trust

More or less, suburban counties encountered the issue of heterogeneity in community identity, meaning people in different localities within a county did not interact and feel associated with each other. In other words, people identified with their towns, school districts, or churches and felt little association with their county as a whole. In particular, there were disconnections among bedroom communities, county seats, and rural towns, and high school sports sometimes generated rivalries among school districts (Staff and external informant interview, 45, 21).

According to staff and board members, in these isolated communities, the lack of identification with county induced the lack of trust toward county-based community foundations (Staff and donor interview, 30, 35, 45, 57). This issue is similar to the concerns that suburbanites had toward CICF discussed in the previous section. People were worried whether the needs of their communities can be served by an organization managed by people from the outside.

Since community foundations are located near or in county seats with a large number of board members from county seats, the issue of distrust was most prominent in rural communities and bedroom communities adjacent to Indianapolis. A board member from a rural community told me some of the farmers were afraid of people living in urban areas, “There are a lot of people who don't even drive away from that community. They stay in a little spot and don't realize that people miles away are real humans” (Donor interview, 39).

Gaining access to donors in bedroom communities were not less difficult than gaining access to rural donors. Bedroom communities are homogenous and white, and the majority of their residents are professionals working in Indianapolis. In my fieldwork, I encountered people who were deeply engaged in their county from these bedroom communities, but they also recognized that most residents did not have a strong sense of the county. Residents in bedroom communities did not feel their well-being was linked to the rest of their county (Staff interview, 30, 58). For example, Zionsville has its own downtown and historical Brick Street, which creates an affinity to the small town. Identifying with Zionsville sometimes interferes with Boone County identity. It is partly due to the pride and privilege associated with a high-income community, "I know there are a lot of folks that don't want to be a part of Boone County." said a donor (Donor interview, 58). A more important reason is that the lifestyles, cultures, and needs of Zionsville and the rest of the county are different. "Zionsville is such an outlier, in that little south corner, whereas everything else is very rural, not as wealthy," said an external observer (External informant interview, 60).

Another bedroom community that the community foundation found difficult to engage is Center Grove, a town in Johnson County. The primary identification of the residents in Center Grove is the school district rather than Johnson County. As indicated by an informant associated with the community foundation:

> I live in Center Grove, very urban, a lot of upscale people who work in Indianapolis. They don't feel the sense of community like the people in Franklin [county seat]. The Taj Mahal…It is really hard to engage people because they go into Indy to work and come back. They don't have a downtown. All they have is the school system. (Donor interview, 60)

Two decades after the foundations were established, county-based community foundations are still dealing with the challenges of fragmented community identities and distrust. Just recently, a chamber of commerce in a bedroom community wanted to start their own foundation in a small town instead of using the county-based foundation. "Everybody wants to start their own thing…They feel if they send money to [county seat], their money is away from their community, and it is not true," said a community foundation staff member (Staff interview, 59). Even though the feeling of disassociation with county and the lack of trust towards county-based community foundations did not necessarily dissuade prospective donors, it created challenges for community foundations in the sense that foundations needed to exert more effort to attract donors.

4.3.2 Building trust across a county

Heterogeneity in community identities within county has created challenges for community foundations, but it seems not to be the primary concern. First of all, the comparison between Boone County and Johnson County does not support the statement that the heterogeneity in community identity is the primary challenge. If it is the primary challenge, we may expect that when there are more heterogeneities within a county, giving to county-based community foundations would be lower. Yet Boone County is probably the most fragmented county of the four counties I examined. Several residents indicated that there is not a sense of Boone County anyway (Donor interview, 35, 53). In contrast, in Johnson County, although the differences among bedroom communities, the county seat, and rural areas exist, both residents and external observers indicated that most people identify Johnson County as a community (Donor and external informant interview, 21, 34). Several county-wide nonprofits, such as Franklin College, Leadership

Johnson County, and Johnson County Economic Development Corporation have built connections throughout the county, while it was hard to find a nonprofit organization that is well connected throughout Boone County (Donor interview, 29, 53). Regardless of the fact that Boone County is more fragmented than Johnson County, per capita giving to Johnson County Community Foundation is only one third of the per capita giving to the Community Foundation of Boone County, and the difference in community wealth and community foundations' leadership and management cannot explain the difference well.[19]

Second, in my interviews, some donors did not care about the competitions among townships when they considered giving. I asked eleven donors to identify the community they felt most attached to. Three expressed they most identified with the whole county, and eight expressed that their primary community identity is the cities/towns where they live, but they felt comfortable giving to county-based community foundations because their towns were part of the county. For the donors who only wanted to give to their towns rather than the whole county, they can designate their gifts only to their towns. All the four suburban community foundations have set up "hometown funds" exclusively serving the towns that donors care about. In fact, an informant pointed out that competitions among towns actually facilitated rather than impeded giving to community foundations: the hometown funds capitalized the competition in the way that

[19] The governance and management of the Johnson County Community Foundation were as good as the Community Foundation of Boone County, according to informants. While the difference in per capita giving to CFs between Johnson and Boone County was much larger than the differences in community income and wealth.

donors from different areas competed with each other to build up their hometown funds (Staff interview, 45).

Third, the challenge of distrust associated with heterogeneous community identities have been gradually attenuated when community foundations build their reputation as a county organization in the past decades through relationship-building and symbolic management.

Relationship-building. Staff and board members have put efforts to build relationships with donors from various communities, which largely enhanced donors' trust toward them (Donor and staff interview, 45, 69). When donors become more familiar with the organizations, their judgements rely less on identity-based prototypes and more on personal interactions and the information they receive. Typically, in order to gain trust from donors in relatively isolated communities, community foundations have developed relationships with the civic leaders in the community who acted as "ambassadors" for community foundations. A board member from a small rural community told me, "It is part of my job to help them understand the whole county…I encourage them to interact with people from all over the county" (Interview 39). In some counties, community foundations attracted a significant amount of estate gifts from rural communities.

Symbolic management. Symbolic management is defined as "behavior that seeks to convey subjective social meanings as a means of creating the legitimacy that enables entrepreneurs to acquire resources" (Zott & Huy, 2007). It is a way to manage organizations' public image.

To deal with prospective donors' concern that community foundations only serve a specific area of the county, the staff and board members have been careful in creating an image that the foundation cares about each and every part of the county using symbolic gestures. I provide three examples.

The first example is the relocation of foundation offices. Three out of four community foundations in suburban counties were started from a bedroom community in their county. When they expanded to the whole county, people still had the perception that they were a city foundation than a county foundation. As a staff member of the Hendricks County Community Foundation said,

> We started as a Plainfield organization. Once we shifted from Plainfield CF to White Heritage [former name of the Hendricks County Community Foundation], we spent a long time getting out of the idea we only serve Plainfield. That's a hard thing to overcome. (Staff interview, 59)

One important strategy is relocating the office to county seats or places near county seats. For example, Hendricks County Community Foundation moved its office from Plainfield to western Avon, a location near the county seat; Boone County Community Foundation moved from Zionsville to Lebanon (county seat); Johnson County Community Foundation started from Greenwood and then chose to locate in Franklin after they determined to be a county-wide organization. A board member of the Community Foundation of Boone County commented that this action changed people's impression about community foundations:

> That was a really smart move. That sent a signal to our county that we are a county-wide community foundation, because people could have this wrong perception that, oh it is in Zionsville, it is a Zionsville thing, but Lebanon being the county seat really sends the signal that we are serious about the whole county, so that perception changed the moment when we had the headquarter moved. (Donor interview, 35)

The second example is community foundations were conscious about making their services covering the whole county. Some foundations rotated the meeting locations for the women's giving circle and board meetings. Regarding grant-making, they ensured nonprofit organizations from every part of the county have received grants from them, especially the nonprofits in small, rural communities. They inclined to sponsor nonprofit organizations and activities that served the whole county.

The third example is ensuring the geographic representation of board members. For example, in Johnson County Community Foundation, their initial board included about 30 members representing each township and school district. Even though the foundation no longer continued this arrangement due to low efficiency, it convened people and created an image of a county-wide foundation. A founder of the community foundation indicated,

> We had to initially make sure that all the little communities around had some representations here. Then later on when we grew up, we were able to peel the onion back a little bit and put some of these folks to work on committees and not be on the full board, because it was just too hard to run when you got that size of a board. But that is what develops a whole collection of trust. Everybody here is Johnson County people. (Staff interview, 30)

4.5 Conclusion

This chapter used interviews to understand donors and non-donors' decisions to support community foundations in their county. I took an interpretive approach to examine the effects of community identity on giving to community foundations and found that although community identity was an important rationale for giving to suburban community foundations, the lack of identification does not sufficiently explain the lack of support to community foundations. Rather, a more pressing problem is that suburban community foundations have not yet effectively reached and engaged the people who have already identified with their communities and wanted to engage locally. Prospective donors were not aware of the foundations, and even if they were, they were not convinced that community foundations were effective philanthropic vehicles and community change makers.

Even though this research did not rule out the possibility that suburban residents might not have as strong community identity as rural residents did, which led to the relatively low level of giving to suburban community foundations, it is evident that community foundations have the potential to grow. I observed a strong tendency to distinguish suburbia from city as two separate communities and to identify with suburbia; heterogeneous community identities within the counties have been overcome by community foundations' relationship-building and symbolic management. Both new and old residents are willing to engage locally.

Theoretically, this chapter deepens our understanding on how community identity affects giving. Community identity not only motivates giving to community foundations by strengthening individuals' perceived bonding with their local communities but also facilitates individuals' trust toward organizations embodying the same identity. Applying social identity theory, I found that identification exaggerates the perceived intragroup similarity and intergroup differences, and individuals are more likely to trust the organizations with shared identity because they believe these organizations share their interests and understanding. This association between giving, identity, and trust has not been well researched in nonprofit literature.

In the next chapter, I will focus on the issue of awareness. As I will show later, marketing is particularly challenging for suburban community foundations due to population growth and integration with the central city.[20]

[20] Regarding the issue that community foundations failed to be a philanthropic vehicle and change maker, according to external experts, they are not unique to suburban foundations, and no evidence shows that suburban foundations perform worse than other foundations (External informant interview, 1, 8, 87). These are the challenges for the whole community foundation field and do not necessarily explain why suburban community foundations have relatively low per capita giving compared to other foundations.

Chapter 5. Explain Community Foundations' Performance of Garnering Local Support, Part II: Social Capital

Chapter 4 examined community identity in four Indianapolis suburbs and its association with low per capita giving to community foundations in those areas. I found that the lack of awareness of community foundations, rather than the lack of identification with the community, is a more important factor for non-donors. In this chapter, I consider this lack of awareness and what might explain it. In particular, I examine how the pattern of local social relations shaped by rapid population growth and integration with the central city created challenges for community foundations as they sought to promote their visibility.

This chapter is structured as follows. I first examine the fundraising model of community foundations and then provide evidence that suggests the community foundations were less visible to residents, particularly new residents because once dense ties that existed among older residents were overshadowed by the rapid influx of newer residents and these newer residents had more ties to outside institutions. These changes made it harder for the community foundation to rely on informal information sharing, i.e., word of mouth, to attract new donors. Second, I provide statistical evidence to support this observation. The geographic distribution of donors shows that in suburban counties, the areas with the fastest population growth and the closest connections with the central city were under-represented in community foundations' donor pool, despite that they are the wealthiest communities across the state of Indiana. Finally, I use social capital theory to lend further insight into these changes. Social capital is defined as assets embodying in dense network of social interactions. Most scholars refer to Robert Putnam when explaining social capital and giving but my findings support Ronald Burt's structural hole theory on social capital, where he describes the importance of brokerage and information sharing, a theory that has received less attentions from nonprofit scholars.

5.1 Community Foundations' Fundraising Strategy: Relationship-building, Word-of-mouth, and Small-town Charm

Community foundations were first and foremost a donor service agency, according to staff members (Staff interview, 30, 36, 61). They managed funds for donors—mostly high net-worth donors interested in endowed giving and planned giving.[21] They provided philanthropic consulting services and charged fees from fund management to support their operation. A founder of a community foundation described them as partners and vehicles for donors:

> We (community foundations) are not a one purpose agency. We are not like the symphony. We sit on the same side of the table when donors are talking about what they want to do. We are sitting there and listening to our donors, not necessarily asking for money, but constantly reminding them there is a way you can do that through community foundations. (Staff interview, 30)

For staff members, the essence of community foundations' fundraising can be summarized in one word—*relationship-building* (Staff interview, 36, 50, 57). "Community foundations are all about relationship-building," said an executive director (Staff interview, 57). Unlike other charities asking for donations, community foundations rarely involved in direct solicitation. In particular for attracting planned giving, it was offensive to ask donors to put the community foundations in their will. The goal of community foundations' marketing was making people aware of the philanthropic

[21] Donor-advised funds are very popular nationwide, but other than community foundations in large Indiana cities, community foundations in small counties usually had less than 20 DAFs. Planned giving continued to be the driver of Indiana community foundations' asset growth (External informant interview, 1).

services they provided through long-term relationship-building (Staff interview, 30, 45, 57).

In order to gain access to potential donors, community foundations applied two strategies: engaging well-connected community leaders on boards and partnering with brokers who had access to wealthy people (these brokers included professional advisors such as attorneys, CPAs, and estate planners). Community foundations also utilized grant-making, public and social media, and events to promote their organizations, but these approaches alone were insufficient for people to understand community foundations: I constantly encountered members of grantee organizations who did not recognize the name of community foundations (Non-donor interview, 37, 38); in the events by community foundations organized, such as women's giving circle or Giving Day, attendees had a hard time associating their giving with community foundations—they thought they gave directly to nonprofits and did not think of the vehicle through which their donations were made (Donor interview, 13, 75). Even for the people who knew the names of the community foundations in their counties, most of them did not know community foundations can manage funds for individual donors (Donor interview 83, 84). In all, publicity through media and events helped community foundations build reputation, but the most essential channels for gaining access were personal relationships with donors, the friends of donors, and brokers who prospective donors trust.

For most Indiana counties, the marketing of community foundations relied on *"word-of-mouth"* among people who had close social relations within local communities (External informant interview, 8). When Lilly Endowment launched the GIFT Initiative in the 1990s, government, business, and civic leaders were contacted about the project.

They became the founders and board members of community foundations and promoted the organizations through their personal networks. At that time, most Indiana counties had less than 50,000 people, and the population in suburbia ranged from about 40,000 to 80,000. With this size of population, many community members knew each other. Consistent with the observation of Floyd Hunter (1953) who did his famous research on community power structure in Atlanta, Hoosier community leaders were tightly connected to each other. They belonged to the same social clubs and sat on each other's boards of directors. They attended the same churches and went to the same high schools (Resident interview, 82). Therefore, staff and board members of community foundations were capable of interacting with almost all local brokers and people who possessed wealth (External informant interview, 49). In addition, community leaders were well-known in communities. A resident of a small community indicated that she was able to name key community leaders when she was a high school student, "they engage in everything, the city-county council, the church, the chamber, the school board, and many other nonprofits." (Resident interview, 65) Thus, community foundations often used the names of community leaders to enhance their publicity.

In small towns with dense-knit local ties, community foundations only needed one or two full-time staff members and an engaged board composed of key community leaders. I visited a rural community foundation ranked high in per capita gifts received in Indiana. They had only one executive director—no modern marketing tools and technology, no fancy website and social media account, and no complicated marketing plan. The foundation maintained a low profile, and the board and staff members did not actively solicit funds. The executive director and a board member attributed their success to “small-town charm”: the fame of the foundation would spread around the small community if the foundation did good work and built trust relationship with current donors. Messages about community foundations spread through social networks and everyday conversations with friends and neighbors (External informant interview, 2).

Until recently, most Indiana community foundations benefited from “small-town charm”. However, for community foundations in the suburbia, small-town environment was changed as the population grew and the area became integrated with the central city.

The following parts of this chapter illustrates how the pattern of social relations in suburban communities shaped by growing population and regional connections created challenges to community foundations as they sought to promote visibility. Before reporting my findings, I emphasize that the issue of visibility is not unique to suburban community foundations. In California, the James Irvine Foundation devoted $12 million dollars to grow small community foundations in rural communities, and visibility was a challenge for young and small foundations with limited marketing budgets:

> In the community foundation world, elevator messages can require long rides to deliver. Target audiences can be elusive to pinpoint. The “sales cycle” (time from first introduction to major gift) can take decades. (Williams Group, 2011, p.3)

In my interview, a staff member indicated that unlike United Way and other national intermediary organizations, community foundations do not have a national brand: each community foundation has its own logo, identity, and programs; they promote their organizations by their own efforts (Staff interview, 57).

Nevertheless, my fieldwork shows that it was particularly difficult for community foundations to promote their visibility in suburbia. I illustrate two mechanisms that explain the challenge: the liability of growth and the development of regional ties.

5.2 Liability of Growth

Suburban counties are the fastest growing area in Indiana: the population doubled over the past thirty years. It is both a blessing and a curse to community foundations. For community foundations in small rural communities, their concerns were decreasing population and declining wealth base (External informant interview, 2, 7). Yet suburban community foundations are an exception. They struggled with catching up with the booming population in their community and engaging incoming wealthy people who were not closely connected with each other. When small towns transformed into populated suburban communities, community foundations became concerned about being marginalized by the growth.

Rapid growth of the population changed the social relations in local communities. Louis Wirth (1938), a renowned scholar, argued that with the increasing size of a community, human relationships become "impersonal, superficial, transitory, and segmental" (p.12). The growth in suburban communities did not necessarily make people disconnect with their local community: even newcomers were tied to their community in one way or another—their neighbors, local chamber of commerce, social clubs, churches, schools, and their real estate agents (External informant interview, 8, 48, 73). Nevertheless, what was less common in suburbia was long-lasting and dense-knit social ties.

First, with population growth, suburbs were no longer communities where everyone knew everyone. An informant associated with a community foundation indicated that they used to have a tight knit group of donors. But in a recent gathering they found that many donors did not know each other. A number of founding board members migrated to southern America after retirement, and they disconnected with incoming wealthy people and professionals (Staff interview, 45). Once dense ties that existed among older residents were overshadowed by the rapid influx of newer residents.

Particularly, in the towns and cities adjacent to Indianapolis which attracted the largest number of new residents, people were less inclined to build connections with their neighbors in fast-growing bedroom communities, which resonates the "blasé attitude" in metropolis described by Georg Simmel (1903) that city residents develop a defensive and indifferent attitude toward others in order to protect the stability of their inner life from the crowd and rapidly changing city life. A resident who lived in a fast-growing suburban community for sixteen years and then moved to a small rural town described the contrasting patterns of social relations:

> On one way, people in [name of the rural town] are closed month, keep to themselves. On the other hand, everybody knows what is going in town. A few years ago, I got a health issue and came back to the town. Everyone came to my home. You knew their faces and names. The community kind of watched it out for itself. In [name of the suburban community], you don't even know who your neighbors are. They keep to themselves a lot. They are not really out-going to begin with. (Resident interview, 62)

Second, social relations were no longer based in place, and residents belonging to separate "enclaves" or circles of friends did not necessarily connect with each other. An executive director of a suburban foundation compared her fundraising experiences in a rural town and a fast-growing suburban community. In the rural town, she promoted community foundations through local events that almost everyone in the community gathered and interacted with each other. While in the fast-growing suburbia, attending community events was not the best approach to meet people since participants did not know each other well. Instead, staff members gained access to wealthy people through attending cheese and wine parties where the host invited about fifty friends (Staff interview, 36).

Third, among the community members who knew each other, they did not interact as frequently as people in rural communities. A nonprofit leader indicated,

> Before we moved here (Brownsburg), we did live in a very small town, I mean, very small. We didn't have mail delivery, and we needed to walk to the post office. When you went to the post office, the postmaster knew you and kind of expected you to stay and talk for a little while, so that is how you caught up with all the news in town… I could remember walking down to people's houses, just sitting down and watching TV. They came out from another room, said, hey, here you are. It is not unusual that a neighbor might knock on your door, come in and sit down. They may not come in for anything in particular, just to spend some time talking… Now, we do know our neighbors…We see them, we wave and say hi…but that closeness is definitely not there. We don't just spontaneously get together and do things. (Donor interview, 47)

This description implies that in small towns, people had more interactions with both their acquaintances, i.e. postmaster, cashiers and their friends and neighbors. In other words, residents exchanged information frequently through both their strong ties (friends and neighbors) and weak ties (acquaintances) than residents in suburbia. As pointed out by the interviewee, although people still called their suburban communities "small-towns" compared to Indianapolis, the small-town feel as well as the close bonding among people was more a perception than a reality (Donor interview, 47).

Thus, as dense-knit local ties were less prominent, the information about community foundations were not able to spread out naturally and organically through everyday conversations: the disconnection among neighbors and circles of friends impeded the flow of referral information, and social ties—both weak and strong—were less likely to be activated for word-of-mouth communication since people living in the same community have less daily conversations with each other. As a staff member indicated, in small towns, if a reputational community leader made a large donation to the foundation, everyone knew; while in the fast-growing suburb, it was relatively hard to get the words out (Staff interview, 50).

With the lack of dense-knit local ties, staff members needed to take more efforts to build relationships and get the word out. Despite the growing wealth and population in suburbia, community foundations had limited capacity to engage new residents and expand their foundations' donor base. A staff member commented that the community foundation did not have enough capacity to systematically outreach to new comers, "so it ended up like a rinsing a shampoo bottle, they rinse and repeat" (Staff interview, 45).

First of all, suburban community foundations were constrained by budgets and the pressure to reduce administrative costs. Therefore, only one to one-and-a-half full-time staff members were devoted to fundraising, and there are thousands of people to build relationships with (Staff interview, 31, 36, 57, 61). Not to mention that community foundations managed over 200 funds set up by donors with whom staff have already stretched themselves to maintain relationships. As indicated by a staff member,

> We have five people on staff. But we have one person, one person who is dedicated to only development. Every week, we might have about 10 encounters with prospective donors and groups that can help us sell what we have, and they are not always meaningful. When you look at 10 per week times 52 weeks...and we have 150,000 people in the county...That is part of the problem. We have 150,000 people in this county, and I have got one person that did the job. (Staff interview, 57)

Second, relationship-building with donors is a long-term process and time-consuming. The relationship between the staff of community foundations and donors resembled friendships rather than purely transactional relationships between an agent and a customer. It was individualized, emotional, and based on shared values. Staff members referred to their donors as the "friends of community foundations." Every year, they prepared individualized and hand-written notes to current and prospective donors (Staff interview, 36, 50). By maintaining frequent interactions, prospective donors were able to remember and think of community foundations when they made major gifts and estate plans. Very often, the first time that donors learned about community foundations was not the right time for them to use the vehicle. Therefore, frequent reminders and long-term relationship-building were important to enhance donors' awareness of community foundations. A story that an interviewee told me is how a fourteen-year friendship with a donor ended up with a four million dollar bequest while this donor did not give a dime when she was alive (Staff interview, 57). Quite often, the staff members had little idea about how much money the community foundation would receive before the donor's death (Staff interview, 50, 57). Due to the high costs of relationship-building, community foundations were not able to scale up their donor base in a short period of time. The influx of people into suburban communities was much faster than the pace of community foundations' relationship-building.

Third, given the risks of developing relationships with prospective donors who may never give, the lack of personnel forced foundations to strategically select the people who, from their perspective, have the most potential to make large donations. All the four community foundations indicated that they were inclined to invest in people who were already deeply engaged in local giving and voluntary services (Staff interview, 36, 45, 57, 61). Some foundations mainly focused on the people who had a fair amount of wealth, were born and raised in the county, ran local businesses, and were of older generations (Staff interview, 31, 61). Some staff members indicated that new residents and transient population such as college students were not their targeted group (Staff interview, 30). Some community foundations put limited efforts in building relationships with younger generations: youth philanthropy programs are too expensive to operate in respect to staff time; people below 40 years old were consider to be less interested in endowed giving because their primary focuses are their career, children, and money-making (Staff interview, 36, 59). In addition, community foundations have not put strategic efforts to build relationships with ethnic minority groups in suburbia for various reasons. Suburban counties are dominantly white communities, and building trust with ethnic minority groups and preventing tokenism take time and efforts and did not always go well (External informant and staff interview, 60, 61). In a women's giving circle, when being asked why no ethnic minority engaged, the organizers often responded that it might be because many ethnic minorities were not wealthy (Donor interview, 14, 55). As a result, the groups that were not targeted are likely to have little knowledge about community foundations. However, if we study the trend in the demographics of suburban communities, suburbia will have more transient populations and new residents, more young couples, more middle-class professionals commuting to Indianapolis, and more ethnic diversity. The people who were not targeted by community foundations will constitute a larger percentage of the population in bedroom communities in the future.

In sum, the suburbs experienced rapid growth in population. However, as the dense-knit local ties were less evident and the word-of-mouth flow of information was hampered, community foundations were constrained by the staff capacity to engage new residents and scale up their donor base. Among the four counties I examined, Johnson County and Hendricks County, whose growth in population are most accelerated, had the lowest per capita giving to community foundations. Certainly, there are other reasons that can explain this fact. Nevertheless, liability of growth is a very important one, if not the primary one.

5.3 The Development of Ties with Outside Institutions

In the last section, I discussed how population growth and the decline in dense-knit social relations *within* the community affected the visibility of community foundations. In this section, I focus on the challenges created by suburbs' integration with the central city and the development of ties with outside institutions. Even though residents in suburbs identify with suburbs as a distinct community, as indicated in the last chapter, a number of residents, in particular newer residents worked, shopped, ate, and entertained in Indianapolis and inevitably developed ties to Indianapolis. According to the 2016 census data, over one quarter of the labor force in the four suburban counties were commuters to Indianapolis.

In *Who's Your City?* Richard Florida (2010) pointed out today's key economic resources—talent, innovation, and creativity are not evenly distributed. Instead, they are concentrated in cities and mega-regions—a large network of metropolitan areas. The "clustering force"—the concentration of productivity, creative skills and talents—powers economic growth. Most innovations and economic growth in the world are produced in mega-regions and great cities, which have social and economic advantages that other places do not offer.

Indianapolis is the largest city in Indiana whose influence extends beyond the administrative boundary. People moved to suburbia because they valued the economic opportunities in the Indianapolis metropolitan area (External informant interview, 21, 60). Economically, they became less associated with their county and more with Indianapolis.

The development of translocal ties created challenges for community foundations. As mentioned before, community foundations brought in donors through long-term collaborations with *brokers*— professional advisors (i.e. CPAs, attorneys, estate planners, and investment agents). They helped community foundations identify and make initial contacts with donors. Due to regionalization, prospective donors had their professional advisors in Indianapolis rather than in the counties where they lived. On the one hand, large cities are where financial and commercial activities concentrate, and Indianapolis provided more sophisticated financial services than suburbia did. For example, in Hancock County, there were less than 10 estate planners who could do complicated estate giving, while there were hundreds of professional advisors in Indianapolis (Staff interview, 61). On the other hand, wealthy people preferred professional advisors in the city sometimes because they did not want their neighbors to know their wealth (Staff and externa informant interview, 45, 60). The lack of access to brokers in Indianapolis made community foundations less visible to wealthy people who lived in the county but worked in the central city.

In fast-growing communities, developing relationships with brokers is an effective approach to access donors because brokers have more access to newcomers who possess wealth. I visited CICF and conducted interviews about national donor-advised funds. Both organizations have expanded their donor base successfully in communities with high mobility. The key channel for them to build up their donor base was the partnerships with professional advisors. More than 80 percent of the gifts to CICF were introduced by professional advisors. Staff members acknowledged that some of the wealthiest people in Indianapolis chose Goldman Sachs, Merrill Lynch, and other national institutions for their investment and philanthropy because of their business partnerships, but a significant amount of local businessmen connected with CICF through local financial advisors. For national DAFs, their philanthropic services were introduced to wealthy clients by financial advisors as they sought consultations for their financial investments (External informant interview, 66).

Nevertheless, three out of four suburban community foundations had not yet concentrated on developing partnerships with brokers as their primary channel to reach donors, especially the professional advisors outside their counties. Currently, although professional advisors brought in several large donors, the majority of their gifts came from direct interactions with donors rather than brokers (Staff interview, 31, 36, 57). Staff members recognized that the lack of partnership with professional advisors was a limitation (Staff interview, 31, 88). Some community foundations in suburbia reached out to professional advisors in Indianapolis through their donors and board members who had connections with financial institutions in Indianapolis, but their access to these brokers remained limited (Staff interview, 57, 61).

Firstly, some staff members and board members did not consider the relationships with professional advisors as their primary fundraising strategy. They preferred to build direct relationships with donors through events and giving circles as before. One interviewee explained that it was because donors did not rely on professional advisors to make their philanthropic decisions (Donor interview, 35). Nevertheless, without the network of brokers, community foundations did not even have the access. Secondly, staff members raised concerns that professional advisors might not be willing to collaborate with community foundations: their financial institutions might compete with community foundations for philanthropy services (Staff interview, 57). Thirdly, community foundations had limited staff capacities to build relationships with professional advisors: community foundations need to provide training courses and written materials about the most up-to-date philanthropy laws and taxes in order to maintain the relationships (Staff interview, 88).

5.4 The Geographic Distribution of Donors across the County

This section examines the geographic distribution of donors across the county and provides statistical evidence that within the suburban counties, the communities with the fastest population growth and closest connection with Indianapolis suffered from attracting community foundation donors, despite the fact that they are the wealthiest communities in the county.

The suburban counties can be divided into three parts: county seats in the middle, bedroom communities adjacent to the borders of Indianapolis where most residents work in Indianapolis, and rural communities.[22] Bedroom communities were most influenced by urbanization and had the fastest population growth and the deepest integration with the central city. Residents recalled that these bedroom communities used to be very rural. Brownsburg which now has over twenty-five thousand people had one stop light in town and no fast food restaurant forty years ago; Whitestown which attracted more than 5,000 people in the past five years only had a bar and a pizza shop—not even a grocery store or gas station (Donor and staff interview, 48,64). Census data show that from 1990 to 2015,

[22] Due to the limitation of access to Hancock County data, the discussion in this section focuses on three counties: Boone, Hendricks, and Johnson.

bedroom communities accounted for over 40 percent of the population growth in the whole counties. In particular, in Boone County, 90 percent of the population growth was driven by the influx of new residents to Zionsville.

Data from three suburban community foundations show that the low per capita giving to suburban community foundations was largely attributed to the lower-than-expected giving from fast-growing bedroom communities (Table 2). For Johnson County Community Foundation, the bedroom communities—Greenwood and New Whiteland which contained 62% of the county population only accounted for 41% of the donors to the foundation in 2017. The distribution of donors of Hendricks County Community Foundation was similar to Johnson County Community Foundation. Residents in bedroom communities, including Avon, Brownsburg, and Plainfield constituted two-thirds of the population in the county, while only 58% of the donors reported a zip code from these areas. [23] In both counties, the mean household incomes of bedroom communities were higher than other areas. Thus, the lower-than expected numbers of donors from bedroom communities cannot be explained by the levels of income. The Community Foundation of Boone County provided the statistics of the distributions of donors and the amount of gifts from each community. 51% of donors reported a zip code in Zionsville and Whitestown, which was proximate to the population distribution of the Boone County: about 49% of the population lived in these two bedroom communities.

[23] For all three community foundations, donors' locations were identified by the zip codes they provided to community foundations when making donations. However, zip codes provided by donors were not always identical to the places they lived. Some donors provided the zip codes of the places they work or other locations where they could be reached. For example, donors living in Greenwood might have the zip codes of Indianapolis or Franklin in the databased. Therefore, Table 2, Panel 1 might underestimate the percentage of donors who actually lived in Greenwood. However, according to my interviews with staff members, these tables generally reflects the distribution of donors across the counties, and there was no doubt that bedroom communities were under-presented in community foundations' donor pools given their population and wealth.

However, if excluding the donors to the Women's Impact—a women's giving circle started in 2016, donors from Zionsville and Whitestown only constituted 43% of the total donors. According to the staff members, this result implies that in the years before the women's giving circle was launched, the majority of the donors to the community foundation did not come from bedroom communities. Regarding the amounts of donations, 61% of the gifts to community foundations came from donors who had Zionsville or Whitestown zip codes. However, considering that the mean household incomes in bedroom communities were more than twice the incomes in other areas of Boone County, and Zionsville is arguably one of the wealthiest towns in Indiana, the gifts (in dollars) from bedroom communities were lower-than expected.

Table 2. The Geographic Distribution of Donors and Population

Panel 1. Johnson County Community Foundation (2017)

Type	Cities/towns	Percentage of donors [a]	Percentage of county population [b]	Mean household income ($) [c]
County seat	Franklin	48%	21%	62,789
Bedroom	Greenwood, New Whiteland	41%	62%	80,073
Rural	Bargersville, Trafalgar, Edinburgh, Nineveh, Needham	11%	17%	68,196

Notes: [a] Percentage of donors was estimated from 460 donors in 2017 who were alive and had a zip code in Johnson County.[24] In 2017, 44% of donors had a zip code outside Johnson County: they were people who used to live in Johnson County, or gave memorial gifts for deceased residents associated with Johnson County. A staff member indicated the percentage of outside donors is larger than other years because a famous community leader passed away, and people who had relationships with the person who lived outside Johnson County gave memorial gifts.

[b, c] The data were drawn from 2006-2010 American Community Survey 5-Year Estimates, compiled by Michigan Population Study Center (https://www.psc.isr.umich.edu/dis/census/Features/tract2zip/). Same source of data applies to Hendricks County and Boone County

Panel 2. Hendricks County Community Foundation (2017)

Type	Cities/towns	Percentage of donors [a]	Percentage of county population	Mean household income ($)
County seat	Danville	25%	12%	75,538
Bedroom	Plainfield, Brownsburg, Avon	58%	75%	82,359
Rural	Amo, Clayton, Lizton, North Salem, Pittsboro, Stileville	17%	13%	76,586

[a] The percentage of donors was estimated from donors to Hendricks County Community Foundation in 2017 who had a zip code in Hendricks County, but the foundation did not provide information about how many donors gave in 2017. 36% of the donors who gave in 2017 had a zip code outside Hendricks County. Similar to Johnson County Community Foundation, these outside donors were the people who had connections with Hendricks County or givers to memorial funds.

[24] Staff members indicated that including the gifts from the deceased did not change the overall pattern. No large bequest was given in 2017.

Panel 3. Community Foundation of Boone County (2017)

Type	Cities/towns	Percent. of donors, excluding donors to Women's Impact[a]	Percent. of amounts donated [b]	Percent. of county population	Mean household income ($)
County seat	Lebanon	48%	32%	39%	60,344
Bedroom	Zionsville, Whitestown	43%	61%	49%	160,162
Rural	Jamestown, Thorntown	8%	8%	12%	75,443

[a] The percentage of donors was estimated from 350 unrepeated donors to Boone County Community Foundation in 2017 who had a zip code in Boone County. About 42% of the gifts received (in $ amounts) in 2017 came from donors who had a zip code outside Boone County. Similar to Johnson County Community Foundation and Hendricks County Community Foundation, these outside donors were the people who used to live in Boone County or givers to memorial funds.
Since I sought explanations for the pattern of giving before 2013, staff members suggested me to remove donors who gave to Women's Impact which was initiated in 2016.
[b] Donations to Women's Impact are not excluded from the total amounts of giving since it does not change the pattern we observe.

In all, the tables show that the areas with the fastest population growth and closest integration with Indianapolis—bedroom communities had fewer donors despite they are the most populous and wealthy communities in the counties. Nevertheless, the statistical evidence alone does not sufficiently demonstrate that the lack of donors from bedroom communities is caused by population growth and integration with Indianapolis, neither does it provide direct evidence that the struggle in fundraising is associated with the lack of visibility, the lack of dense-knit social ties, and the development of translocal ties as discussed in Section 5.2 and 5.3. Thus, in my interviews, I asked staff and board members how they accounted for the relatively low percentage of donors and donations from bedroom communities. Four staff and board members from three community foundations emphasized that the primary issue was the lack of visibility, and compared to other communities in the counties, people in the bedroom communities had less interactions with each other and other parts of the county, including the county seat where community foundations are located. Two businessmen from county seats recalled their conversations with friends from a bedroom community:

> I went to [the name of a bedroom community] with my friends. I walked down the street. I asked my friend: of the first ten people you see, how many do you know? 'We don't know any of them' 'You live here?' 'For many years.' 'Why don't you know them?' 'That is not important.'…it is a different environment [compared to where I live]…I can walk downtown on the street. Of the first ten people I see, I would know seven of them. (Donor interview, 72)

> I remember once I ran into a basketball player, a big guy, tall, and he was at the BMV [Bureau of Motor Vehicles]. I said, hey, how are you, it is good to see you. He went, yeah, I only come up [to the county seat] once every four years to get the license. I said, why don't you get here more often? He went, I just never go north...The folks in [name of a bedroom community] might identify more with Indianapolis as opposed to the farmers in the country, but for the majority, it is just the way they do everything. You know how the market is formed. They shop that way, they go to dinner that way. They don't turn around and look north. They just…never go there. (Donor interview, 58)

The board and staff members of community foundations mentioned other reasons why donations were trickling in slowly from bedroom communities—lack of identification with the county, lack of need, and a large amount of young professionals who have little resources to give, in previous chapters. As I have analyzed before, these three factors are found to have limited effects on giving. Therefore, the lack of visibility as a result of changing social relations is a key factor explaining the struggles of attracting donors from bedroom communities.

5.6 Conclusion and a Reflection on the Theory of Social Capital

In this chapter, I showed that a key reason explaining the relative low level of per capita giving to suburban community foundations is visibility. In a small community where people are tightly connected to each other, the messages about community foundations were spread through word-of-mouth. Yet with suburbanization, rapid growth in population means these close knit social ties and constant interactions among potential donors were less prominent, and more and more wealthy people used professional advisors in the central city than the ones in local communities who were he brokers for community foundations.

My findings shed light on how we explain the association between social capital and community engagement and giving. Scholars typically referred to Putnam's social capital theory without actually examining the mechanism. Putnam's social capital theory highlights the role of dense social networks in cultivating civic culture and norms of reciprocity. He argued that the decline in social connectedness, in particular face-to-face interactions, dampens individuals' willingness to engage in communities (Putnam, 1995).

However, there are other established theories and research about social capital. In particular, Ronald Burt's (1997) structural hole theory provides alternative explanations for the influence of social capital on local engagement, while these explanations have not obtained enough attention from nonprofit scholars. In 1997, Ronald Burt published his article "The Contingent Value of Social Capital" to elaborate the structural hole theory. Structural hole theory indicates that social capital facilitates the flow of information. In a close and durable network, actors not only have easy and quick access to information but also are more likely to trust the information disseminated through social networks. Brokers—intermediary actors connecting two clusters of people lacking trust or access to each other—are important players in information dissemination (Burt, 1997; Gould & Fernandez, 1989). Through brokers, people are aware of the benefits they can provide to each other.

My research supports Ronald Burt's structural hole theory that highlights the influences of social capital on information sharing. I find that the decline in dense-knit social ties impede the flow of information: it becomes costly for prospective supporters to know the existence and needs of local organizations and for organizations to market their programs. More generally, my finding resonates with sociological thinking of social relations and information sharing since the 1970s. Granovetter (1973) emphasized the power of weak ties in facilitating information sharing. Weak ties function as bridging social capital, allowing information to transmit from one group to another. Brown and Reingen (1987) highlighted the power of strong ties in activating word-of-mouth communication and facilitating the flow of referral information. With population growth and the decline in social interactions among local people, both strong and weak ties are less likely to be activated for the dissemination of information about community foundations.

Second, my research demonstrates the importance of brokers in obtaining access to resources, especially when social relationships among individuals become transitory and segmented. When local ties are displaced by translocal ties and local brokers are gradually replaced by translocal brokers, it is a challenge for community foundations to develop translocal connections. Additionally, this chapter is not just about how population growth and integration with the central city affects community foundations. It discusses why, at the organizational level, local community foundations failed to adapt themselves to a new environment and engage more donors. My findings support James Lincoln's (1977) hypothesis that the changing structure of social relations poses adaptation problems for civil society organizations. In 1977, sociologist James Lincoln conducted research on the distribution of voluntary associations in 93 U.S. Metropolitan Statistical Areas. Following the tradition of the Chicago School of Sociology, he explored whether urbanism was associated with the lack of local support to voluntary organizations. He came to a conclusion that the size and growth of population, which signals segmented, fluid, and unstable social ties, were negatively associated with the density of voluntary associations. However, he did not attribute the issue to individual disengagement; rather, he pointed out that the instability in social connections posed adaptation problems for organizations because voluntary organizations depend on a stable population base for recruiting and maintaining members and supporters (Lincoln, 1977). Similarly, I found that community foundations depended on long-term relationship building for targeting and recruiting donors, and this model works best in communities with a stable population base and dense local networks. In fast-growing suburban communities, young and small community foundations are constrained by their staff capacities to market their organizations.

Finally, both chapter 4 and 5 help us understand that wealth is not the sole predictor of giving to community foundations. Chapter 4 finds that community identity is important, although it is not the primary reason for not giving. Chapter 5 suggests that social capital is crucial for garnering local support through the enhancing organizations' visibility. My research brings attention to the linkage between social capital and information sharing suggested by structural hole theory. It also raises the issue of organizational adaptability of small civil society organizations in fast-growing communities.

Chapter 6. Long-Term Effects of Matching Grants

In this chapter, I examine long-term effects of matching grants on giving to Indiana community foundations. First, I illustrate Lilly Endowment's matching grant program, explain my research procedure and why Ohio community foundations are a preferred control group, and describe the sample and data. Second, I report how the suspension of matching grants affected giving to community foundations. The regression results show that the average giving to Indiana community foundations had an over 50 percent decrease when the match was switched off in 2003, while the data of Ohio community foundations show no evidence of a downward trend. Although giving to Indiana community foundations recovered in subsequent years, matching switch-off led to a more than 40 percent decline in annual average giving in the long run. Third, I explore the effects of matching grants on fundraising using the data of fundraising expenses and historical archives. Interestingly, community foundations had heterogeneous responses to matching grants: matching grants incentivized some community foundations to increase their fundraising expenses, yet for others, the response to the match was modest or even negative. In the last section of the chapter, I reflect on existing research of matching grants: most scholars focused on how matching grants change the behaviors of donors, while the effects on organization behaviors have rarely been discussed. This study demonstrates the heterogeneity in organizations' response to matching incentives.

6.1 Lilly Endowment's Matching Grants and the Selection of Control Group

From 1990 to 2002, Lilly Endowment launched five phases of matching grants. The last phase, GIFT V, was announced in August, 2001 and ended in December, 2002.[25] Every Indiana community foundation except Indianapolis Foundation participated. Lilly Endowment provided two types of matching grants: $1 to $1 match up to $2 million for asset building (at least half of the total of all matching monies raised must be for unrestricted endowment); $2 to $1 match up to $100,000 for general operation.

To discern the effects of matching grants, I first compared the average giving to Indiana community foundations in 2002—the last year with Lilly Endowment's matching grants—with the annual average giving in the years without matching grants (2003—2012). Then I applied difference-in-differences and selected Ohio community foundations as the control group to account for the time trend and macro socio-economic changes that might factor into the changes in giving.[26]

Ohio community foundations are a preferred control group. According to my interviews with the staff at Indiana Philanthropy Alliance, among all the other U.S. states which have the potential to be the control group—community foundations have not engaged in large-scale matching grant programs, Ohio community foundations are most similar to Indiana community foundations in their history, business model, and fundraising practices. Both states had their first community foundations in the 1910s, and the growth in the number of community foundations were similar since the mid-1970s.

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[25] The previous phase of matching grants, GIFT IV, was announced in November 1998 and ended in September, 2000. Phase I was announced in 1990 with no end date. Phase II was from May, 1996 to August, 1998. Phase III was announced in September, 1997 and ended in September 1999.

[26] Ideally, I should compare the pre-trend of giving to Indiana and Ohio community foundations, yet the information about giving before 1990 is difficult to obtain.

Most of the community foundations in the two states were based in one or multiple counties. Regular peer-learning activities between Indiana and Ohio community foundations contributed to the isomorphism of the field. In addition, the growth in Ohio population and GDP—factors that influenced giving to community foundations—resembled the trend in Indiana during the past 15 years (Appendix E).

The dependent variable is giving to community foundations. First, I examine *the amounts of gifts received by community foundations*. The data on giving are drawn from Form 990, Part I, Line 1 "contributions, gifts, grants, and similar amounts received," which can be retrieved from NCCS Core Files and GuideStar. The grants from government are deducted from the gifts to community foundations in both states. For Indiana community foundations, I discount the grants from Lilly Endowment, including the matching grants of GIFT V, $250,000 operating support grants to community foundations in 2004, and project grants to some Indiana community foundations. The amounts of government grants are documented in NCCS Core File (variable name: GovGtEstimate), and the data on Lilly Endowment's grants to Indiana community foundations are retrieved from their Form 990. Second, to reduce the influence of large community foundations on average giving and to normalize the giving to community foundations by population, the amounts of per capita gifts received, which equal the amounts of gifts received divided by population served by the foundations are generated as a dependent variable for testing the sensitivity of the results.

The panel data is composed of giving information for eleven years from 2001 to 2012. The sample of Indiana community foundations includes every foundation participating in GIFT V matching grant program established in or before 2001 and remained stable from 2001 to 2012 (N=71).[27] The sampling of Ohio community foundations follows the same rules: the foundations should be founded in or before 2001 and remain stable during the eleven years. The panel data exclude influential observations. First, given that mega foundations in metropolis had a significant impact on average giving, community foundations serving over 500,000 people are dropped from the sample, including four Ohio community foundations and one Indiana foundation. Second, in 2012, the Community Foundation of Elkhart County (Indiana) received a $125 million gift (the next largest gift to community foundations in the dataset was below $30 million), which increases the average giving to Indiana community foundations in that year by 135 percent. Hence, the 2012 giving data of the Community Foundation of Elkhart County is dropped from the dataset.

Table 3 shows the summary statistics for community foundations in Indiana and Ohio. a normal year—2006—is chosen to describe the average giving to community foundations in both states. On average, an Indiana community foundations raised 1.32 million dollars in 2006, and the amount of gifts to an Ohio community foundation was 2 million dollars. The disparity in total giving can be explained by the different sizes of communities in Ohio and Indiana. On average, an Ohio community foundation served about 85,000 people, and an Indiana community foundation served about 70,000 people. If taking community size into account, the giving to community foundations in both states was similar: the average per capita gifts to an Indiana community foundations was $26, and the number for an Ohio community foundation was $29 in 2006. Therefore we

[27] Remaining stable means community foundations did not experience death, merger, and separation. By separation, I referred to the phenomenon that affiliate community funds become independent from the "host" community foundations as a legal entity.

will examine the sensitivity of the results by also analyzing trends in average per capita gifts.

To examine the effects of matching grants on fundraising, I estimate the changes of fundraising expenses from 2000 to 2010.[28] The data of fundraising expenses are retrieved from Form 990, Part I, Line 16b "Total fundraising expenses". Observations with zero fundraising expenses are discounted. It ends up with a dataset of 54 Indiana community foundations reporting non-zero fundraising expenses between 2000 and 2012. [29] In the dataset, 28 Indiana community foundations' fundraising expenses are observed every year from 2000 to 2012, which composes a balanced panel.

Table 3. Summary Statistics of Indiana and Ohio Community Foundations, 2001-2012

Group	Treatment group Indiana CFs	Control group Ohio CFs
Observations	851	528
Number of unique community foundations	71	44
Average gifts received in 2006	1,327,614	1,997,691
(inflation adjusted to 2013$)	(1,482,099)	(2,725,336)
Average per gifts received in 2006	26	29
(inflation adjusted to 2013$)	(34)	(35)
Average population in 2006	70,926	84,978
	(90,229)	(82,401)

[28] I examine the changes in fundraising expenses from 2000 and the changes in giving from 2001 because the reaction of giving to matching grants was slower than the reaction of fundraising. As I will show later, when GIFT V was in effect in 2001, community foundations increased their fundraising expenses in 2001, while the levels of giving in 2000 and 2001 were similar, and an increase in giving was observed in 2002. More importantly, four Indiana foundations were founded in 2000, and including 2000 in the balanced panel reduces the number of foundations in the dataset.
[29] The numbers of observations in the panel data are 33 (2000), 34 (2001), 43 (2002), 47 (2003), 49 (2004), 50 (2005), 51 (2006), 53 (2007), 52 (2008), 54 (2009), 54 (2010), 54 (2011), 53 (2012).

6.2 Long-term Effects of Matching Grants on Giving

Figure 1 plots the average giving to a community foundation (in million dollars) in Indiana and Ohio by year: for each year between 2001 and 2012, I averaged the giving to community foundations by state. The solid line depicts the time trend of average giving to Ohio community foundations, and the line connected by dots shows the time trend of average giving to Indiana community foundations. The figure shows that when the match was switch-off in 2003, the average amount of gifts received by Indiana community foundations was declined by 55 percent: the giving dropped from 1.8 million dollars in 2002 to 0.8 million dollars in 2003. While Ohio data show no evidence of a downward trend there, if anything a slight increase (from $1.9 million to $2 million). Giving to Indiana community foundations gradually recovered in 2003-2005 and remained relatively stable during 2006 and 2007. From 2008 to 2011—the years affected by the Great Recession, the giving to Indiana community foundations declined, and in 2012, average giving to Indiana community foundations reached 1.48 million dollars — the highest point since 2003, yet the amount was 18 percent less than the average of matched donations in 2002 ($1.8 million).[30] Overall, 2003-2012 trends of Indiana and Ohio community foundations are parallel.

Table 4 presents the effects of matching switch-off on the amounts of giving to community foundations. The dependent variable is giving in millions of dollars to the community foundations. The effects are estimated by Ordinary Least Squared (OLS) model with the fixed effects for states and years. To address the issue of serial correlation that leads to inconsistent standard errors, I adopt the solution recommended by Bertrand,

[30] If taking the 125 million dollar gift to the Elkhart County Community Foundation, the average would be $3.5 million.

Duflo, and Mullainathan (2004) for small samples—averaging the data before and after the treatment and run equation on this averaged outcome variable in a panel of two time periods.

Hence, in my analysis, 2002, the last year with Lilly Endowment's matching grants is the time period before the treatment (the switch-off). The effects of the switch-off is estimated by comparing the difference in giving to Indiana foundations between 2002 and the time period without matching grants to the same difference for Ohio foundations. The treatment effects are captured by the dummy variable "Matching Switch-off", which is 0 for all foundations before the switch-off, and 1 for Indiana community foundations afterwards. I first compare the average giving of 2002—the last year with matching grants—with the average giving across 2003-2012—the whole period without matching grants, and then examine the differences in average giving between 2002 and three specific time periods after the switch-off based on the trend in Figure 1: recovery (2003-2005), stable growth (2006-2007), and the Great Recession (2008-2011).

Figure 1. Amounts of Giving to CFs, 2001-2012

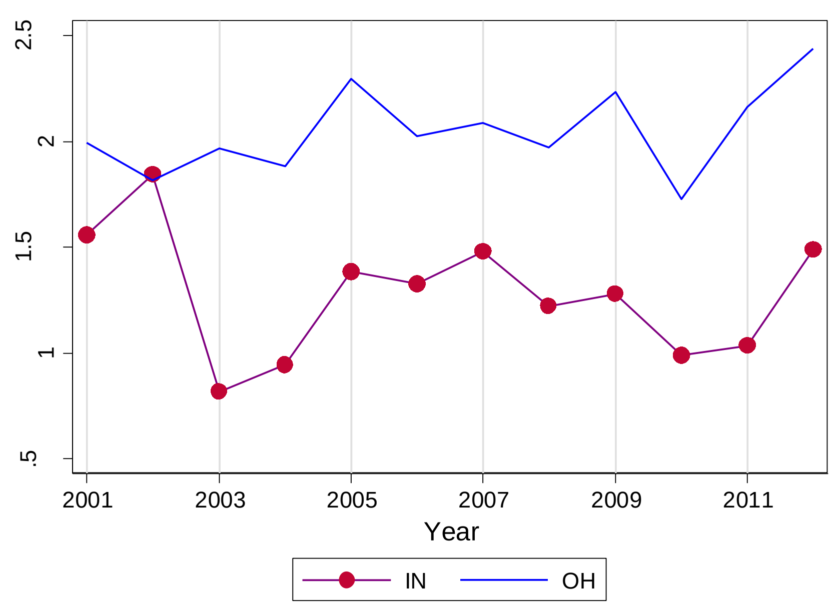


Table 4. Effects of the Suspension of Matching Grants on Amounts of Giving to CFs (in Millions of Dollars)

	After Switch-off 2003-2012 (1)	Recovery 2003-2005 (2)	Stable Growth 2006-2007 (3)	Great Recession 2008-2011 (4)
Matching Switch-off	-0.864*** (0.305)	-1.021*** (0.353)	-0.612* (0.367)	-0.857** (0.368)
Period dummies	incl.	incl.	incl.	incl.
State fixed effects	incl.	incl.	incl.	incl.
# of observations	230	230	230	230
# of CFs	115	115	115	115
# of periods	2	2	2	2
R-squared	0.034	0.040	0.015	0.040

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

The results confirm the findings from Figure 1 that the matching switch-off caused a significant decline in giving to Indiana community foundations. Column 1 shows that overall, matching switch-off caused the annual average giving to decline by .87 million dollars across 2003-2012—a 48 percent decrease (.87/1.8). Column 2 indicates that the sharpest decrease was observed between 2003 and 2005: the suspension decreased annual giving to Indiana community foundations by 1.02 million dollars, a 55 percent drop (p<.01). The giving recovered in subsequent years, but the amounts of gifts to community foundations continued to be significantly lower than the amount of matched donations in 2002: the switch-off induced a decline of .61 million dollars and .85 million dollars in annual average giving between 2006-2007 (column 3) and 2008-2011 (column 4), respectively.

Recall that community foundations in Ohio are larger, and consequently, changes over time in average per capita giving may set up a more balanced treatment-control comparison. Figure 2 and Table 5 show the effects of matching switch-off on per capita giving to community foundations. In general, the effects of switch-off on per capita giving were similar to the pattern we found about the amounts of giving to foundations in Figure 1 and Table 4.

Figure 2. Amounts of per Capita Giving to CFs, 2001-2012

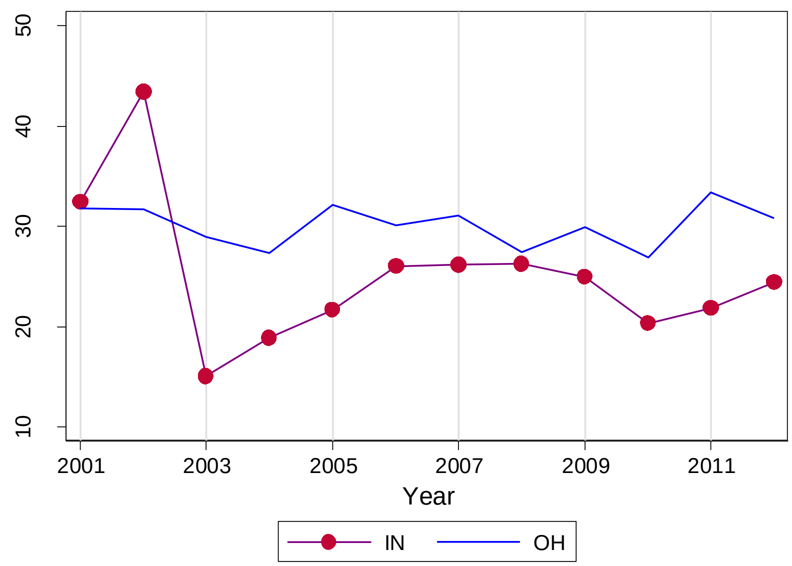


Figure 2 shows that when matching grants were switched off in 2003, the average per capita giving in 2003 was decreased by over 60 percent: average per capita giving to Indiana community foundation dropped from $43 in 2002 to $15 in 2003, while average per capita giving to Ohio community only had a small decrease ($3). Average per capita giving recovered in subsequent years but did not reached the level in 2002. The regression analysis in Table 5 shows that overall, matching switch-off led to a decline in annual average per capita giving by 40 percent in 2003-2012 (17.3/43) (column 1). Even in the years when the giving was recovered (2006-2007), the suspension of the match lowered the per capita giving to Indiana community foundations by $13.8, a 32 percent decrease (13.8/43) (column 3).

Table 5. Effects of the Suspension of Matching Grants on per Capita Giving to CFs

	After Switch-off 2003-2012	Recovery 2003-2005	Stable Growth 2006-2007	Great Recession 2008-2011
	(1)	(2)	(3)	(4)
Matching Switch-off	-17.30**	-22.11***	-13.81*	-15.84**
	(7.379)	(8.266)	(7.958)	(7.713)
Period dummies	incl.	incl.	incl.	incl.
State fixed effects	incl.	incl.	incl.	incl.
# of observations	230	230	230	230
# of CFs	115	115	115	115
# of periods	2	2	2	2
R-squared	0.046	0.060	0.030	0.041

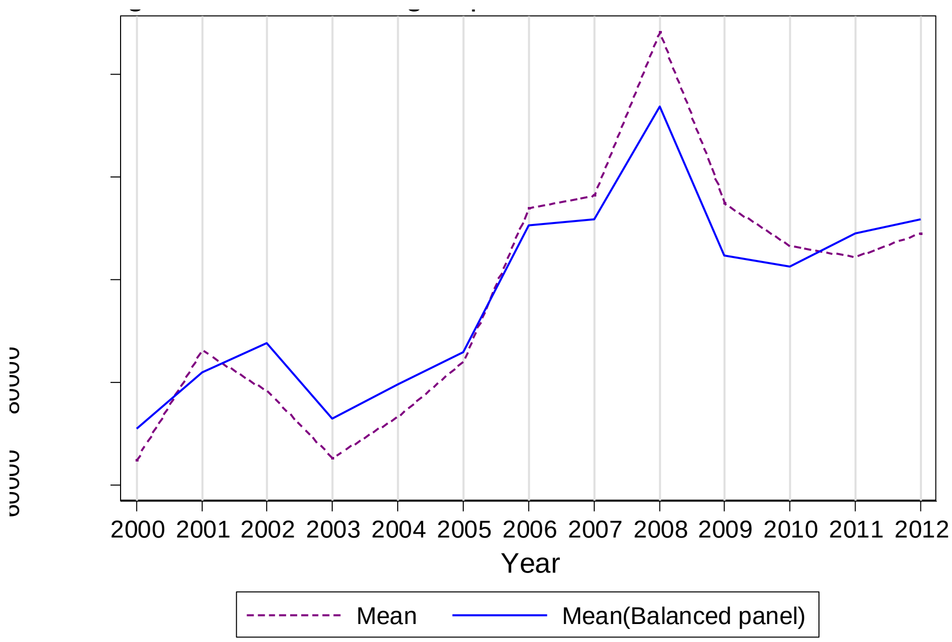
Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

In sum, the study shows that the matching switch-off led to an over 50 percent decline in giving to Indiana community foundations. Even though the amounts of donations gradually recovered in subsequent years, the suspension of matching grants caused a more than 40 percent decline in giving in the long-run.

6.3 Effects of Matching Grants on Fundraising

Figure 3 shows the trend of fundraising expenses of Indiana community foundations. The solid line depicts the annual average fundraising expenses of 28 Indiana community foundations that reported non-zero fundraising expenses every year from 2000 to 2012 (balanced panel). The dash line represents the annual average fundraising expenses of all Indiana community foundations reporting non-zero fundraising expenses between 2000 and 2012 (unbalanced panel). The two lines show similar trend: the average fundraising expenses were higher when matching grants were available (2001-2002) and declined in 2003 when the matching grants were suspended; the fundraising expenses increased from 2003 to 2008, and the sharpest increase was observed between 2005-2006 when Lilly Endowment announced that no matching grants would be available in the near future; in 2008-2012, the fundraising expenses declined with the Great Recession and increased with economic recovery.

Figure 3. Fundraising Expenses of Indiana CFs, 2000-2012



Nevertheless, the figure of average fundraising expenses is not able to capture the heterogeneity in responses. Therefore, I examine the percentage changes in fundraising expenses in quartiles using the balanced panel of 28 Indiana community foundations. Although we have little knowledge about the foundations that did not report or reported zero fundraising expenses, Figure 3 shows that the balance panel constitutes a representative sample of Indiana community foundations given the available data: the trend of the 28 foundations matched the trend generated from 54 foundations.

Table 6 displays the changes in fundraising expenses in inter-quartile range. The upper quantile shows the percentage change in fundraising expenses at the 75th percentile and the lower quantile shows percentage change at the 25th percentile.

Table 6. Percentage Changes in Fundraising Expenses of 28 Indiana CFs

	Lowest Quartile[a] (1)	Median (2)	Highest Quartile[b] (3)
2000-Matching period (2001-2002)	-6.3%	23.8%	63.2%
2002-2003	-20.8%	-2.6%	8.6%
2003-2004	-5.5%	1.9%	16.7%
2004-2005	-4.7%	3.8%	36.5%
2005-2006	3.5%	24.3%	50.2%
2006-2007	-10.6%	-0.2%	28.5%
2007-2008	2.7%	11.5%	28.8%
2008-2009	-28.3%	-16.3%	-3.8%
2009-2010	-22.3%	-5.0%	8.7%
2010-2011	-5.5%	4.7%	12.2%
2011-2012	-10.6%	-2.1%	7.8%

[a] Fundraising expenses at the 25th centile
[b] Fundraising expenses at the 75th centile

Row 1 shows that during the matching period (2001-2002), the median change in annual fundraising expenses increased by 23.8 percent. Nevertheless, examining the quantile range, we find that the reactions of community foundations diverged. Foundations in the upper quartile increased their fundraising expenses by over 63.2 percent, while foundations in the lower quartile reduced their fundraising expenses by more than 6.3 percent.

The divergence in foundations' reaction to matching incentives is consistent with the observations of the consultant to GIFT Initiative:

> In general, the foundations took one of two general approaches to the challenge. For some, it really motivates them and their boards to become fully engaged in asset development. For others, this is viewed as an insurmountable challenge and while they didn't ignore it during the year, they put priority activity on other kinds of foundation functions. (GIFT Initiative Technical Assistance Team. 2003)

In 2003, Lilly Endowment suspended the matching grants. From 2002 to 2003, the majority of the foundations decreased their fundraising expenses (Row 2). The foundation at the highest quartile decelerated the growth of fundraising expenses (8.6%). Between 2003 and 2004, the majority of foundations had a small increase in their fundraising expenses: the median change is 3.8%.

Overall, community foundations were reluctant to raise funds after the suspension of the match. The report from the consultant of GIFT Initiative listed three reasons: exhaustion, anticipation for the next matching opportunity, and the assumption that Lilly Endowment would not allow Indiana community foundations to fail:

> In recovery from the Phase V challenge to raise unrestricted endowment, most of the community foundations spent their time in everything other than asset building. Feeling exhaustion and believing that another challenge was soon to be announced, they waited…With the announcement of the Sustaining Resource Development program in the fall, there seemed to be a sense of relief that again LEI was providing operating funds and the foundation would not be allowed to "fail"…The opportunity to receive more operating support from LEI only further supports many foundations' feeling that LEI will not let them fail, no matter how long it takes to become self-sufficient. (GIFT Initiative Technical Assistance Team, 2005)

In 2005, Lilly Endowment indicated no matching grants would be provided in the near future. From 2005 to 2006, we observe a large increase in fundraising expenses. In 2006, the majority of the foundations increased their fundraising expenses, and half of the foundation had a more than 24 percent increase.

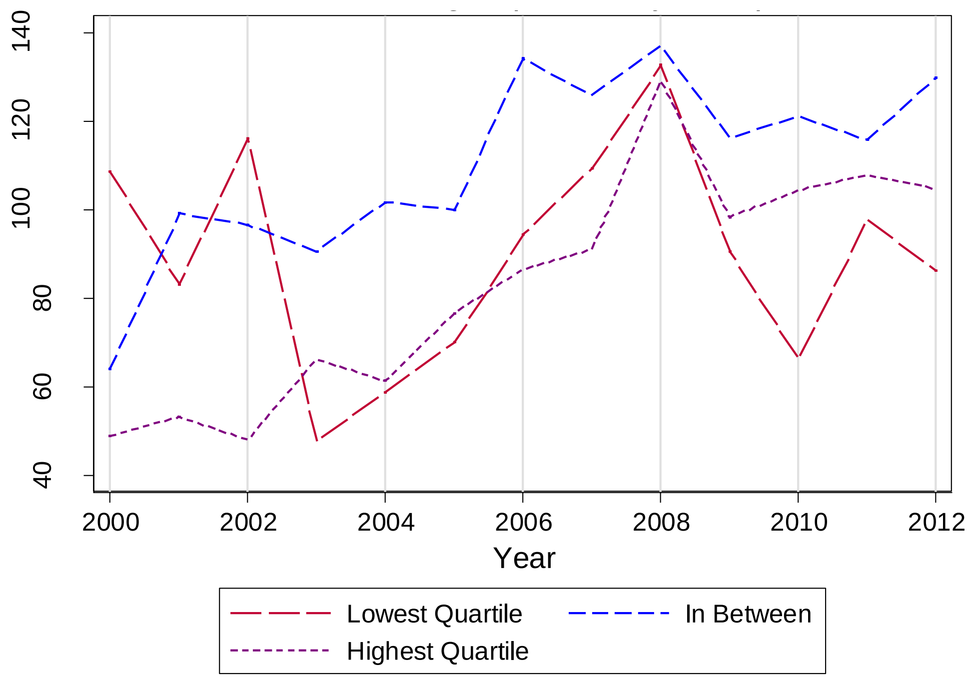
With the Great Recession, some foundations reacted quickly to the economic downturn by reducing their fundraising expenses: the foundations in the lowest quartile decreased their fundraising expenses by more than 10 percent from 2006 to 2007, while others kept increasing their fundraising expenses till 2008. The fundraising expenses were decreased from 2008 to 2010 and increased with the economic recovery from 2010 to 2012.

Table 6 demonstrates the heterogeneous responses to matching grants, yet this table alone does not help us discern the different behavioral patterns of community foundations and whether the same organizations belonged to the same quartile over the years or not. Hence, I classified the 28 community foundations into three groups based on the different reactions to matching switch-off between 2002 and 2003--the community foundations in the lowest quartile, the highest quartile, and in between (Table 6, Row 2). I averaged the annual average fundraising expenses within the three groups, and Figure 4 shows the results.

The community foundations in the highest quartile had modest responses to matching incentives in 2001-2002 and accelerated their fundraising expenses after the matching switch-off. Their fundraising expenses kept growing during the Great Recession except the decline in 2008-2009. They seemed to care more about securing revenues than taking advantages of low fundraising costs. Their fundraising expenses increased when matching grants were switch-off and obtaining donations became harder. In contrast, community foundations in the lowest quartile were sensitive to the matching grants: their fundraising expenses reached a peak in 2002 and plummeted after the suspension of matching grants; their fundraising expenses went down with the Great

Recession and recouped with the economic recovery. These foundations took advantage of matching opportunities when the cost of fundraising was lower. They reduced fundraising activities during the Great Recession when the cost of getting donations increased. The rest of the community foundations balanced the need of securing revenues and taking advantage of low fundraising costs.

Figure 4. Amounts of Fundraising Expenses by Quartile Groups, 2000-2012



In sum, the study finds that community foundations had heterogeneous responses to matching incentives: some significantly increased their fundraising efforts while others shifted their priority from fundraising to other activities.

6.4 Discussions and a Reflection on the Research of Matching Grants

In order to leverage local support, funders provide financial resources as incentives and subsidies to stakeholders who support the organizations. One of the most commonly used financial tools to start and support community foundations and other nonprofit organizations in their early stage is matching grants. Examples include Andrew Carnegie's public libraries, Julius Rosenwald's African American schools, and national foundations' community foundation initiatives. One purpose of providing matching grants is to reduce grantees' reliance on funders. Meeting the match sends a signal to funders that local givers are interested, and they might be willing to support the initiatives without funders' financial support.

Most research shows that donors did respond to matching opportunities and increase their giving during matching periods. Scholars identified four mechanisms explaining the positive effects of matching. The first mechanism is that matching grants stimulate giving through reducing the price of giving (Karlan & List, 2007). By subsidizing donors, matching grants increase the response rate and the amounts given. Although the increased giving is consistent with a price effect, Karlan and List (2007) found that larger matching ratios (i.e. $2:1) had no additional effect relative to a smaller matching ratio (i.e. $1:$1). Donors who actively supported organizations in the past reacted more positively to matching grants than lapsed donors (Karlan, List, & Shafir, 2011).

The second mechanism is the framing effect of matching grants. Scholars repeatedly found that 1:1 match leveraged more giving than a 50% tax rebate even though both cause an equal change in price (Bekkers, 2015; Davis, 2006; Eckel & Grossman, 2003). Scholars argued that the different framings of matching grants and tax rebates could explain the disparities in giving. Matching grants create a "cooperative frame," and individuals are more likely to contribute more when they learn other people are also contributing. Cooperative frame is more effective in stimulating giving than the “reward frame” in a tax rebate (Eckel and Grossman, 2003).

The third mechanism is the signaling effect. The announcement of leadership gifts enhances the credibility and value of an organization and urges donors to give in a timely manner. Matching grants from powerful and resourceful funders are a signal, an endorsement, and a promise of success: they improve the confidence of prospective donors on organizations (Struckhoff, 1991; Vesterlund, 2006).

However, relatively little research discussed the downside of matching grants and their long-term effects on giving. Some research has found evidence that matching grants had little or even negative effects on giving in the long run. For example, Meier (2007) found that matching grants had a long-term negative effect on giving. His explanation is the spillover effect: individuals had a set budget; when donors gave more in one period due to matching, they needed to compensate the higher than expected giving during the matching periods by reducing their contributions in the following period; the effect of matching combining these two time periods was negative. Nevertheless, these mechanisms are only the assumptions of scholars and have not been tested.

This study examines the effects of matching grants on giving and fundraising in the long-term. It identifies two mechanisms that might induce the negative effects of matching grants. First, matching grants might hinder fundraising efforts due to the income effect. Andreoni and Payne (2011) illustrated that grants from institutional funders, which is governments in their case, enable organizations to reach certain fundraising goals with lower fundraising expenses. Since fundraising is the "necessary evil" that organizations endure in order to sustain, organizations incline to use the money saved from fundraising expenses for the activities they prefer such as grantmaking and providing services. Similarly, in the case of Indiana community foundations, matching grants crowd out organizations' fundraising efforts, especially when funders provide matching grants for a long period of time.

Second, all current research examined matching grants that existed for a short period of time— several months to less than two years (i.e. Bekkers, 2015; Hungerman & Wilhelm, 2016; Meier, 2007). When funders provided matching grants for a long period of time, i.e. in GIFT Initiative, Lilly Endowment provided matching grants for over 10 years, both organizations and donors anticipated for the next round of matching. This anticipation effect provides an explanation for the significant decline in giving—55 percent—observed in Indiana community foundations, which is larger than the estimation from previous research (about 30% or less) where the match periods were short. When I conducted my fieldwork, GIFT VI, Lilly Endowment's matching grant program just ended. The staff members told me they constantly received phone call from donors asking when the next match would come (Staff interview, 57). A donor explicitly expressed she would not make any donations to community foundations until the next match (Donor interview,53). This mindset is similar to consumers' reactions to discounts, say Black Friday. When consumers expect shops to offer discounts on Black Friday, they probably won't make any purchases right now if they do not urgently need the goods. Instead, they will wait until Black Friday. Similarly, the expectation that another phase of matching grants would come discourages immediate giving.

Chapter 7. Conclusion

This dissertation examined Lilly Endowment's GIFT Initiative, a project that provided long-term support to the development of community foundations in the State of Indiana. The GIFT Initiative is one of many initiatives launched by public and private institutional funders to build civil society and vibrant communities through establishing and sponsoring community infrastructure organizations in the U.S. and across the globe. This study focuses on a key question pertaining to these initiatives: why some organizations initiated by institutional funders are able to garner local support necessary to sustain and effectively carry out their mission and others are not.

The first part of the dissertation is a history of the GIFT Initiative. It introduces how the initiative was planned and implemented in the State of Indiana. The second part explored the influence of community socio-economic resources on local support to community foundations. Most literature suggested that community economic resources, in particular income and wealth, are a necessary condition for community foundations and other forms of CIOs to attract local giving. Yet I discovered that for Indiana community foundations, high levels of income did not necessarily predict high levels of giving. In particular, community foundations in wealthiest areas—suburban counties—encountered challenges in fundraising. Through a case study of four suburban foundations, I explored what other community conditions besides economic resources explain the struggle of community foundations to garner local financial support.

I first examined the influence of community identity on local giving to community foundations. The concept of place-based community becomes elusive due to community fragmentation and the emergence of communities defined by lifestyle, ethnicity, and income. People's community identities are likely to diverge from the place where nonprofit organizations are based in. Therefore, the assumption is that people in wealthy suburban counties might not feel attached to where they lived since they worked in the city, or they might identify with distinctive communities within the county, i.e. churches, school districts, towns, and not yet develop a common identification with the entire county. Nevertheless, based on 46 formal interviews and 32 informal conversations with donors, non-donors, staff members, and other informants of community foundations, I did not find strong evidence to support this assumption. Even though it is evident that community identity affects giving to community foundations by strengthening individuals' perceived bonding with their communities and enhancing their trust toward local organizations, community identity is not the only and primary reason surfacing donors and non-donors' explanations for their giving/not giving. A more pressing challenge is that foundations have not yet reached all the people who already actively engage or want to engage.

I then turned to an alternative perspective—social capital. I found that dense ties that once existed among community members were overshadowed by rapid population growth and integration with the central city. The marketing strategy of community foundations—word of mouth and informal information sharing that work best in close-knit communities was not suited to the new environment where the social distance among community members enlarged. Professional advisors in local communities acted as the brokers of community foundations to gain access to prospective donors, while more wealthy people relied on professional advisors in the central city. Community foundations in suburbia have not yet successfully adapted to this social transformation.

In sum, through this in-depth case study, I reflect on the dominant explanations offered about the effects of wealth and income on giving to nonprofit organizations and argue that social capital is crucial for garnering local giving through the mechanism of facilitating information sharing.

The third part of my dissertation is an analysis of the long-term effects of matching grants—a strategy widely used by institutional funders in seeding community foundations. Lilly Endowment provided matching grants to Indiana community foundations for twelve years. Using a fifteen-year panel data of Indiana and Ohio community foundations, I conducted difference-in-differences and quartile analysis to estimate the long-term effects of matching grants on giving and fundraising and examined archives to interpret the statistical results. Although matching grants stimulated the giving and fundraising of some community foundations, it was not the case for others. First, long-term provision of matching grants intensified the anticipation effect that both donors/foundations delayed their giving/fundraising till the next matching opportunity. Second, matching grants induced the income effect—they increased the revenues of foundations and crowded out fundraising incentives. This result implies that when supporting organizations, institutional funders, i.e. private foundations, should be more cautious of using financial subsidization. Providing financial capital—even in the form of matching grants—did not necessarily encourage organizations to seek funding sources by their own.

My dissertation research has five limitations which should be addressed in future research. First, as discussed in Section 2.3, this research only examines the GIFT Initiative, and I acknowledge the limitation of a single-case study. For future research, it is necessary to test the causal mechanisms in various types of initiatives in various social contexts. For example, future research can compare United Ways and community foundations. United Ways have good visibility, but the donations received are in decline. Is it a counter-evidence to the finding of this research, or is it mainly because United Ways' fundraising model is less attractive than community foundations?

The second limitation is that the findings of community identity and social relations are only tested against four suburban community foundations. Ragin (2004) suggested that after identifying causal conditions shared by positive cases (cases of uniform outcomes), the next step is to establish relevant negative cases and examine whether the causal conditions apply. Therefore, it is valuable to study rural community foundations in less wealthy community with high per capita giving as negative cases. For example, for these rural foundations with good fundraising records, is it because rural people have closer connections within their community so they what's going on in the community? Or are there other important reasons? The research of negative cases can further test the explanation I found from the four suburban foundations.

Third, this research focuses on examining the effects of community income and wealth, community identity, and social relations on giving. Nevertheless, there are other explanations for low per capita giving to suburban community foundations which might be equally important but have not been fully researched. Here I list some possible explanations.

Competition. Suburban community foundations might encounter more competition than the foundations in rural communities—prospective donors in suburbia are more exposed to other philanthropic vehicles than rural donors. In the fieldwork, I did not find strong evidence supporting this hypothesis: according to the staff members of CICF, very few donors came from the four suburban counties. Yet I have not examined the competitions from national DAFs and other nonprofit organizations.

Civic norms. Putnam (1995) argued that dense social network of interactions nurture the norms of reciprocity, trust, and civic engagement. It is possible that people in rural communities and small towns have a stronger disposition for giving than residents in fast-growing suburban communities.

More engaged board and staff members. Due to limited wealth and population in rural community foundations, staff and board members might work harder and have deeper interactions with each donor.

Fourth, as discussed, the sample size of donors and non-donors is limited, and the case study of suburban foundations relies on interviews to understand the pattern of social relations and the motivations of giving/not giving. Future research should apply survey research to accurately describe the density of social ties and frequency of interactions. Moreover, survey method can supplement interviews in understanding unconscious cognitive processes. Steven Vaisey (2009) found that forced-choice surveys have advantages over interviews in the study of the linkage between culture (i.e. values, identity, cognition) and action: interviewees are bad at giving consistent reasons for their behaviors, and fixed-response format requires little cognitive efforts and better estimates actual moral decision process.

Fifth, in the study of matching grants, in order to demonstrate that Ohio is a preferred control group of Indiana community foundations, ideally, I should compare the trend of giving to community foundations before 1990—the year Lilly Endowment started providing matching grants and ensure the trends of the two states are similar. However, I was not able to obtain the giving data before 1990: NCCS archive does not have publicly available data before 1989. Given that Ohio community foundations had a higher average asset in 1990 than Indiana foundations, it is possible that the growth of giving to Ohio foundations was also higher than Indiana before 1990. Although this assumption does not affect the pattern of changes we observe, we might overestimate the effects of matching switching-off on giving.

Overall, this dissertation focuses on examining the puzzles that cannot be explained by previous research. But constrained by the number and types of cases examined, it has not yet developed a comprehensive analytical framework for understanding the conditions and mechanisms leading to local support.

Regardless of these limitations, my dissertation is one of the first studies to systematically examine the initiatives of community foundations. In particular, to extend the value and generalizability of my study of the GIFT Initiative, I not only identify key factors but also try to open the black box and understand the causal mechanisms explaining local support to community foundations, which might be generalizable to other contexts. I discuss the implications of my research to theory and practice as follows.

Implications for community philanthropy. Community foundations and place-based philanthropy have attracted increasing attentions from nonprofit scholars. The concern of scholars and practitioners has been whether the loss of place-based community threatens the viability of place-based organizations. When I studied community foundations in China, similarly, a staff member questioned, “There is no community here. How can we build a community foundation without a community?”

However, my research shows that the lack of community identity does not present the primary challenge, and two more important issues stand out.

The first issue is the population growth and increasing translocal connections that resulted in low visibility of small community foundations. This challenge is prevalent in other community-based organizations as they experienced the transformation from close-knit rural society to urban society. In my fieldwork, I repeatedly heard from nonprofit leaders of small local organizations that they had a hard time finding prospective donors and volunteers, and they did not have enough budget and capacity to market themselves. When large business and nonprofit organizations use modern marketing technology and big data to identify prospective supporters, local small organizations which traditionally rely on word-of-mouth communication in close-knit place-based communities are struggling to promote their visibility. On many occasions, people did not engage in local organizations not because they did not want to; rather, they did not know the opportunities and were not being asked.

Moreover, the giving culture in local communities creates additional challenge to small community organizations as they struggle to cope with this social transformation. Local donors favored low costs of administration and marketing, and they were proud of the low administrative costs of local organizations (Donor interview, 71,72,73). Yet the side effect of low administrative expenses is understaffing. Without necessary investments in personnel and fundraising, small local organizations are almost impossible to scale up and grow when the population becomes more mobile and the expenses of running an organizations becomes more expensive.[31] How can small local organizations

[31] The operating costs for a community foundation increased dramatically over years (Staff interview, 45).

obtain prospective donors' attention in an increasing noisy information environment (Guo & Saxton, 2018)? Will it lead to the expansion of large business and nonprofit organizations and the shrinking of local organizations which are considered to be the foundation of American democracy?

The second issue is how to meet the changing and increasingly diverse needs of communities. Traditionally, community foundations' major source of revenues were planned giving. Donors heard about the good services provided by the foundation from friends and came to set up endowed funds. Yet this function of community foundations can be carried out by national DAFs and other organizations with more efficiency, and the culture of giving has changed: more and more donors gave large donations only to organizations they deeply engaged, especially for younger generations (Staff interview, 45; Goldseker & Moody, 2017). Yet community foundations were not able to provide better financial services than their competitors, and the traditional fundraising model did not have a component for engagement. In addition, many donors chose community foundations because they identified with the community and felt local organizations were more trustworthy, yet the trust relationship may become less affected by community identity in the future. With globalization, younger generation get used to receiving services all over the world and the locations of service providers do not matter as much. As pointed out by Anthony Giddens (1994), in traditional society, trusts are based on familiarity and social categories—people have more faith on insiders than outsiders. Yet in modern society, people tend to trust abstract social and expert systems. We open a bank account online and trust that our money is safe regardless of the location and our familiarity with the personnel, because we trust the social system protecting the legal contracts with the bank and the expertise of bank agents. The disappearance of local banks whose survival depends on mutual trusts among group members sheds lights on the challenges of community foundations.

In order to adapt to this change, community foundations have developed multiple “product lines”, such as donor-advised funds, giving circles, capacity building, and organizing nonprofit events. Nevertheless, in the process of meeting diverse demands from donors and community members, community foundations probably have too many products to let the general public remember what the expertise and mission of community foundations really are. Given the limitation in staff size, small community foundations found it difficult to provide every product with a high quality. A challenge for all community foundations is to identify “what is the real business of a community foundation?” It is also a challenge for all the other intermediary organizations where mature charities no longer rely on them to do fundraising and fund management, and more and more donors no longer rely on them to gather information about nonprofit organizations and do transactions.

So what about the future of community foundations? This research focuses on the struggles of community foundations, yet we should not forget community foundations as a field have successfully adapted and evolved in the past one hundred years, and some Indiana community foundations have tried new strategies for development. I have visited a successful community foundation in a fast-growing community. The staff member described their strategy of engaging young people and community activists:

> My primary focus is the long-term residents who are actively seeking ways to engage. I will find them and see them. Community foundations have to be present. We are not waiting for people to come to us. If you just market in a certain way and think people will come to you, it will not

> happen. We fund projects and teach them about the opportunities. They trust us and endorse us. Instead of having 5 or 6 staff, we have hundreds of people who are ambassadors. (External informant interview, 44)

In this case, the community foundation builds deep connections with community activists. For example, the foundation facilitated and supported a group of young people to renovate a community theatre. These passionate young people mobilized donations from older generations and raised funds through community foundations. Instead of organizing events, the community foundation put more efforts in finding, knowing, and deeply engaging active citizens to address social problems. Every community has citizens who deeply care about their communities and want to engage, and people are eager to build deep connections with like-minded people. The role of community foundations as conveners will become more important.

Implications for nonprofit theory and research. My research on the GIFT Initiative not only enhances our knowledge about community foundations and place-based philanthropy but also contributes to nonprofit research and theory. In the process of uncovering the mechanisms on how matching grants, social capital, and community identity affects giving, I found that the roles of organizations have been dismissed in the studies of philanthropy and pro-social behaviors. Most research are experimental studies and statistical analysis estimating how these factors influence the motivations and inclination of giving (Bekkers & Wiepking, 2010, 2011; Wiepking & Bekkers, 2012). In these studies, the effects of organizational behaviors were treated as noise and have been cancelled out. While in modern philanthropy, most giving is facilitated and channeled through nonprofit organizations. Not considering the impacts of organizations do not necessarily make the results biased, but scholars might miss the opportunity to identify important mechanisms that explain giving. In this dissertation, I viewed organizations as a mediating structure between external environment and individual giving, and introducing organizational dimension has helped me identify new mechanisms on how external incentives and contextual factors impact giving through constraining or promoting organizations' capacity and incentives for fundraising. For example, I illustrated how social capital affected the visibility of organizations and posed adaptation issues to community foundations' traditional fundraising model; in Chapter 6, I argued that matching grants not only affected individual behavior but also crowded out some organizations' fundraising activities.

Moreover, my dissertation draws attention to the distinctions between the nonprofit organizations initiated by translocal institutions and the ones created spontaneously from below. Skocpol, Gans, and Munson (2000) critiqued that in the U.S., scholars assumed that nonprofit organizations were established spontaneously by local communities, while their study of membership associations showed that, typically, a wide network of state organizations was institutionalized before, or along with, the growth of local chapters, and a significant amount of civil society organizations were initiated by translocal institutions that combined top-down implanting and bottom-up response to the call of translocal organizations. However, the vertical influence from translocal institutions has been largely ignored by current research.

More importantly, taking translocal linkages into account may change our interpretation of the association between community characteristics and the growth of nonprofit organizations. For example, Skocpol, Gans, and Munson (2000) challenged Gamm and Putnam (1999)'s viewpoint that membership associations are more likely to prosper in small, stable, and homogenous communities because of social capital. They indicated that social capital is probably not the primary reason. Instead, it is mainly because associations in small communities have more translocal linkages and are more federated than organizations in large cities.

Similarly, my dissertation shows that compared to other research of community foundations (Graddy & Morgan, 2006; Wu, Xu, & Guo, 2018), the effects of income on giving was less pronounced in Indiana community foundations, and rural community foundations had a stronger performance in attracting local donations. A possible explanation might be Indiana community foundations received financial support and technical assistance from Lilly Endowment which supplemented economic and human resources in local communities.

It implies that when examining conditions for the growth of nonprofit organizations, it is necessary to distinguish the ones seeded by translocal institutions and the ones established spontaneously from below. Although my dissertation cannot fully answer how the two types of organizations are different, it serves as a starting point for future research.

Appendices

Appendix A. Exploratory Regression Analysis of Giving to Indiana Community Foundations and Economic Resources

The exploratory regression analysis examines the correlation between economic resources and local giving to community foundations. My sample included 71 community foundations in Indiana.[32] I analyzed gifts to community foundations (in dollars) from 2005 to 2012, the time period when Lilly Endowment did not provide a large amount of money to community foundations.[33] I chose this time period because I wanted to assess local giving to community foundations without much external support. I used multi-year data to balance out the fluctuations in the donation amount received by community foundations.

The dependent variable is local giving to community foundations.[34] The data were drawn from Form 990, Part I, Line 1 "contributions, gifts, grants, and similar amounts

[32] I obtained the full list of Indiana community foundations from Indiana Philanthropy Alliance, which contained 76 community foundations. Five foundations are excluded: (1) Central Indiana Community Foundation (CICF): CICF is the largest and oldest community foundation in Indiana. CICF is excluded because it functions as a supporting organization for GIFT Initiative instead of grantees; its affiliate, the Legacy Fund of Hamilton County was the grantee of GIFT Initiative, which was included in the table; (2) Harrison County Community Foundation: it is an atypical foundation because the majority of its revenues came from Casino instead of local people. (3) Community foundations in South Madison, Crown Point, and Huntingburg: their service areas did not cover the entire counties, and the demographic information of the communities they were based in are not available. Thus, foundations in my sample are all based in one or several counties.

[33] From 2003 to 2013, Lilly Endowment did not provide matching grants to community foundations. But I only selected 2005-2012 for the following reasons: (1) the NCCS data for 2013 are not available when I started my research; (2) Indiana community foundations experienced a large turbulence in 2003 and 2004. Including the data from these two years will change the results of the regression analysis. I did a sensitivity test by collapsing data across 2003-2012 to balance the year-to-year turbulence in giving. I used the logarithm of the annual average amounts of gifts and per capita gifts from 2003 to 2012 and then repeated the regression model. The results are consistent with the regression outcomes using the data from 2005 to 2012.

[34] By local, I broadly define it as giving from donors who are associated with the communities served by foundations. They are not necessarily current residents of communities: they can be donors who used to live in local communities but moved to other places and outside people who give memorial gifts in memory of a person who was associated with local communities.

received". Form 990 did not provide information about the locations and identities of givers, so I was not able to discern where the gifts came from. According to the staff members and consultants of Indiana community foundations, community foundations typically did not receive large amounts of donations from givers who were not directly associated with local communities, i.e. national foundations. Some community foundations received large grants from Lilly Endowment, which was deducted from the donation amounts received.[35] Local giving to community foundations were measured in two ways: amounts of giving to CFs and amounts of per capita giving to CFs. Per capita gifts equal total gift amount divided by the population of the counties served by community foundations.

Independent variables. Economic resources are roughly measured by per capita income of the communities that the community foundations are based in (all foundations in the sample are based in one or more counties).[36,37] I included variables that were tested to have a significant association with per capita giving to community foundations in Graddy and Wang's (2009) paper as controls. One is poverty rate, and the other is the binary variable of urban/rural status (Graddy and Wang (2009) used population density, which indicates urban/rural status). I also controlled organization age using a binary variable indicating whether the foundations were founded after 1990. Additionally, as a sensitivity test, I added variables that were found to be significantly associated with

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[35] Lilly Endowment and Indiana Philanthropy Alliance provided grants to support interns in Indiana community foundations, but the dollar amounts were small (a few thousand dollars). I did not deduct the amount from the gifts received by community foundations.

[36] This measurement has limitations. Per capita income cannot accurately reflect the wealth in the forms of stock, capital, lands, and equipment. Yet the accurate data on community wealthy are hard to obtain.

[37] For community foundations covering several counties, I calculated weighted per capita incomes based on population. For example, if a community foundation serves County A and County B. The weighted average of per capita income equals [incomeA (population A / population A+ population B)+ income B (population B / population A+ population B)]

community giving and growth of community organizations, such as the percentage of seniors, education level, and racial diversity. I examined whether adding these variables changed the regression results. The data are drawn from U.S. Census.[38]

Table A-7. Summary Statistics of Indiana community foundations 2005-2012

Variable	Mean	Std. Dev.	Min	Max
Contributions to CFs	1,336,580	2,204,231	8,234	29,733,490
Contributions to CFs per capita	23	27	1.37	301
Population	77,450	94,468	5,943	495,981
Income per capita	34,949	5,616	24,677	62,946
Poverty rate	12.30	3.52	3.95	22.43
Rural	0.56		0	1
Founded before 1990	0.82		0	1

Notes: The sample size is 567 (balanced panel). Dollar amounts are inflation adjusted to 2013. I excluded one influential variable: gifts received by the Community Foundation of Elkhart County in 2012 when the foundation received a $125 million gift. Adding this observation affects the results of the regression.

I first examined the bivariate relationships between the logarithm of gifts to community foundations and the logarithm of per capita income and other independent variables. I then regressed all independent variables on the two dependent variables to examine their joint effects. I pooled the data from 2005 to 2012 and used Pooled Ordinary Least Squared. The standard errors are clustered by organizations.

Table 7, column 1 shows that the association between per capita income and the amounts of gifts received is positive and significant at the bivariate level, and being rural has a negative and significant correlation with total giving. Column 2 shows how community characteristics jointly account for variations in per capita giving. The signs of coefficients remain the same, although their magnitudes and significance levels vary. Being rural remains to be significant, while per capita income becomes insignificant after

[38] I used the filed from STATS Indiana that convened the data from U.S. Census (http://www.stats.indiana.edu/).

adding controls. The negative association between being rural and total giving can be interpreted as the effects of community size—population size is the primary indicator embedded in the measurement of urban/rural status.[39] The association between rural/urban status and total giving is not surprising since urban communities have a larger donor base than rural communities.

Table A-8. Pooled OLS Regression: Giving to Indiana Community Foundations, 2005-2012

	log (amounts of local giving)		log (amounts of local giving per capita)	
VARIABLES	Zero-order correlation	Joint effects	Zero-order correlation	Joint effects
log(income per capita)	1.489**	0.887	0.178	0.461
	(0.611)	(0.629)	(0.366)	(0.469)
Poverty rate	-0.0158	-0.0133	-0.0185	-0.0154
	(0.0169)	(0.0159)	(0.0133)	(0.0138)
Rural	-1.062***	-0.922***	0.366***	0.455***
	(0.201)	(0.234)	(0.131)	(0.149)
Founded after 1990	-0.495	-0.336	-0.174	-0.308**
	(0.312)	(0.227)	(0.146)	(0.153)
Constant		5.157		-1.813
		(6.644)		(4.973)
Observations	567	567	567	567
Number of unique CFs	71	71	71	71

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

[39] I have replaced the variable of rural/urban status with population size in regression analysis, and the results are consistent. The reason I did not include both rural/urban status and population size in the model is because they are highly correlated and induce the issue of multicollinearity.

However, taking community size into account, did donors in urban communities give more to community foundations than donors in rural communities? Column 3 and 4 show the regression results of per capita gifts received by community foundations. In contrast to the results about total giving, being rural is positively correlated with per capita giving. It implies that on average, donors in rural communities contribute more to community foundations than donors in more urbanized areas. Per capita income and other variables remain insignificant. Adding other control variables—the percentage of seniors (age 65+), education (measured by the percentage of people having bachelor degree), and racial diversity (the percentage of white people) do not change the results.

Appendix B. The Rankings of County Income and Giving to Indiana Community Foundations

Table B-9. The Rankings of County per capita Income and per capita Giving to Indiana Community Foundations

County	Annual average income per capita ($)	Rank: Per capita income	Annual average giving per capita	Rank: Per capita giving	Difference in rankings (Column 2 – Column 4)	Percent. of rural population	Community type
Hamilton	59151	1	20	29	-28	5.6	Large fringe metro
Boone	56500	2	27	20	-18	34.4	Large fringe metro
Ohio	43726	3	4	71	-68	100	Large fringe metro
Dubois	43679	4	16	44	-40	49.2	Micropolitan
Porter	42226	5	20	27	-22	20.8	Large fringe metro
Hancock	42007	6	20	28	-22	30.4	Large fringe metro
Hendricks	41213	7	7	66	-59	17.8	Large fringe metro
Johnson	40469	8	8	64	-56	13.9	Large fringe metro
Bartholomew	40141	9	44	10	-1	33.7	Small metro
Clark&Floyd	39124	10	6	68	-58	20.5	Large fringe metro
Dearborn	38898	11	54	5	6	53.1	Large fringe metro
Franklin	38387	12	17	42	-30	88.9	Noncore
St.Joseph	38141	13	27	21	-8	9	Medium metro
Allen	37972	14	20	30	-16	11.9	Medium metro
Ripley	37112	15	18	35	-20	83.2	Noncore
Morgan	36938	16	12	55	-39	49.1	Large fringe metro
Brown	36806	17	37	13	4	100	Large fringe metro
Kosciusko	36759	18	37	11	7	46.6	Micropolitan
Jackson	36687	19	16	47	-28	43.7	Micropolitan
Warren	36536	20	14	48	-28	77.1	Noncore
Alliance [a]	36454	21	4	70	-49	60.3	Micropolitan

Lake	36395	22	9	62	-40	4	Large fringe metro
Tipton	36248	23	69	3	20	61.6	Noncore
Whitley	36103	24	33	16	8	71.2	Noncore
Pulaski	35382	25	17	40	-15	80.9	Noncore
Wells	35236	26	14	50	-24	50.6	Medium metro
Jasper&Newton	35229	27	19	32	-5	68	Large fringe metro
Rush	35057	28	32	17	11	61.2	Noncore
Montgomery	35000	29	16	46	-17	52.8	Micropolitan
Decatur	34983	30	14	49	-19	53.8	Micropolitan
Shelby	34916	31	45	9	22	52	Large fringe metro
DeKalb	34507	32	30	18	14	42.3	Micropolitan
Huntington	34311	33	13	54	-21	51	Micropolitan
Elkhart	34129	34	108	1	33	20.6	Small metro
LaPorte	34082	35	11	58	-23	35.6	Small metro
Wabash	34081	36	95	2	34	50	Micropolitan
Howard&Carroll&Clinton	34068	37	17	43	-6	21.5	Small metro
Jefferson	34003	38	23	24	14	45.1	Microplitan
Fountain	33806	39	19	34	5	66	Noncore
Tippecanoe&White	33512	40	9	60	-20	14.5	Small metro
Lawrence&Martin	33432	41	13	52	-11	58.4	Micropolitan
Monroe	33244	42	5	69	-27	21.2	Small metro
Steuben	33143	43	46	8	35	67.2	Micropolitan
Marshall	33068	44	22	25	19	63.3	Micropolitan
Wayne	32966	45	22	26	19	33	Micropolitan
Greene	32824	46	13	53	-7	74.8	Noncore
Blackford	32777	47	28	19	28	50.6	Noncore
Vermillion	32598	48	11	59	-11	60.4	Small metro
Cass	32286	49	17	38	11	44.7	Micropolitan
Jay	32212	50	48	6	44	55.7	Noncore

Grant	32117	51	17	39	12	28.9	Micropolitan
Fayette	31986	52	8	65	-13	36.8	Micropolitan
Madison	31701	53	7	67	-14	23.1	Large fringe metro
Henry	31601	54	23	23	31	42.9	Micropolitan
Randolph	31595	55	9	61	-6	61.9	Noncore
Adams	31410	56	19	33	23	53.7	Micropolitan
Clay&Sullivan& Vigo	31360	57	17	41	16	60.9	Small metro
Owen	30801	58	18	37	21	100	Small metro
Union	30667	59	20	31	28	100	Large fringe metro
Delaware	30371	60	16	45	15	22.8	Small metro
Noble	30290	61	12	57	4	68	Micropolitan
Orange	30205	62	37	14	48	83.5	Noncore
Fulton&Miami& Starke	30036	63	25	22	41	64.9	Noncore
Jennings	30016	64	14	51	13	60.2	Micropolitan
Putnam	29803	65	18	36	29	64.8	Large fringe metro
Washington	29782	66	34	15	51	76.8	Large fringe metro
Scott	29251	67	12	56	11	52.7	Large fringe metro
Parke	28504	68	46	7	61	75	Noncore
LaGrange	27927	69	9	63	6	91.6	Noncore
Crawford	27216	70	65	4	66	100	Noncore
Switzerland	26243	71	37	12	59	100	Noncore

Notes: The sample size is 71, and the year range is from 2005 to 2012.

[a] The alliance includes the following counties: Daviess, Gibson, Knox, Perry, Pike, Posey, Spencer, Vanderburgh, and Warrick

Appendix C. Interview Data Summary

Table C-10. Number of Interviewees in the Four Suburban Counties
Panel 1. Formal Interviews

	CF Staff Members	CF Donors/Non-donors
Boone County	4	5
Hancock County	1	1
Hendricks County	3	2
Johnson County	2	12
Total	10	20

Panel 2. Informal Conversations

	# of Events Participated	CF Donor/Non-donors	Financial advisors	Residents
Boone County	5	12		
Hancock County	3	6	2	
Hendricks County	5	3		6
Johnson County	3	1		3
Total	16	22	2	9

Table C-11. Number of External Informants
Panel 1. Formal Interviews

Staff, board, and donors of other Indiana CFs	5
Indiana nonprofit leaders (not directly involved in CFs)	6
GIFT Initiative Technical Assistance Team	3
Community foundation leaders in other states	2
Total	16

Panel 2. Informal Conversations

Staff, board, and donors of other Indiana CFs	6
Indiana residents (not directly involved in CFs)	2
Community foundation leaders in other states	1
Total	9

Appendix D. Interview Protocol

1. Interview Questions for Staff Members

Open-up question: Could you please tell me how you become the director of the community foundation? What brought you to your work?

Part I. General questions about how community foundations generate local commitment

(1) Could you please me your strategy to engage local citizens and generate local commitment to community foundation? In particular local giving?

(2) For those strategy, what work well, and what does not work? Could you please help me understand why that is the case?

(3) Could you please tell me the most important success and challenges of your community foundation?

Part II. Donors and their motivations

(1) Motivations of donors

   a. How do you understand the motivations of donors? Why you think the community foundation is attractive to donors?

   b. What kinds of donors are more likely to give to community foundations?

   c. Do you think people's community identity affect their decision to give? If yes, what kind of people are most likely to have a strong community identity and become a donor?

(2) Reasons for not giving

   a. Could you please describe to me some occasions that the foundation try to cultivate a donor but the donor has not yet committed to foundations? What are the most common reasons?

   b. Do you think lack of the sense of community is one reason people don't give to the community foundation? If yes, what kind of potential donors do not have a strong sense of community and unlikely to become a donor?

   c. [Name of the bedroom community] is the wealthiest communities in your county. Right? Could you please help me understand why [name of the bedroom community] has not generated a lot of giving, and most of the donors and donations came from other parts of the county?

d. Do you see any challenges recruiting donors who live in the community but work Indianapolis? Why or why not?

e. Do you see any challenges recruiting donors who live in the rural community but work Indianapolis? Why or why not?

(3) General questions about recruiting donors

a. Could you please list the names of the key institutional partners regarding cultivating donors?

b. Does the foundation recruit donors from rural communities?

c. Does the foundation recruit donors of ethnic minorities?

d. Have the foundation analyzed the profile of your donor pool, such as what are their age, gender, job location, race, and residency? Could you please tell me, in general, what are the profiles of donors look like?

Part III. How the community foundation strengthens community identity.

Heterogeneous identities within a county.

(1) General questions

a. Have your organization discussed how to build the sense of community? If yes, how did the discussion get started? Could you please tell me more details about the discussion? Are there any projects related to building a sense of community?

b. How do you see the relationship between community building and fundraising?

(2) Regional boundaries

a. (only applicable to foundations that develop from a city-based organization to county-based organization) I look at the history of your foundation. It developed from [name of the city] and expanded to the whole county. Could you please tell me some histories about how this happened? What were the challenges in the process?

b. How is the community foundation accountable to different regions, cities, and towns within the Johnson county?

(3) Rural and urban boundaries

a. Have the community foundation convened leaders from rural and urban communities?

b. If yes, what were the impetus and what happened? If not, did the issue come up in the discussion?

(4) Youth program

a. Young people. Do they have the same sense of belonging? How do they understand the community?

(5) Diversity in general

a. Besides convening leaders from different regions and rural and urban communities, have the community foundations convened other leaders with diverse backgrounds?

(6) Ethnic and religious boundaries

a. Have community foundation convened the leaders from ethnic minority groups?

b. If yes, what were the impetus and what happened? If not, did the issue come up in the discussion? What are the challenges?

c. Does the foundation consider religious diversity when selecting the board?

d. If yes, what were the impetus and what happened? If not, did the issue come up in the discussion? What are the challenges?

The relationships between the county and Indianapolis.

(1) Leadership's understanding of the relationship between the county and Indianapolis

a. How is the relationship between Indianapolis and your county important to the work of the community foundation? Have the board discussed this issue?

b. How do the board understand the relationship between your county and Indianapolis?

c. Do you think your county is different from or part of Indianapolis? Why?

(2) Reinforce the distinction and boundaries

a. Have the community foundation tried to reinforce the distinction between the county and Indianapolis?

(3) The relationship with CICF (only applicable to community foundations who thought about merging with CICF)

   a. Could you describe your organization's relationship/partnership with CICF?
   b. Have the community foundation considered merging with CICF? If yes, what were the impetus? What happened then?
   c. The board might have discussed about the partnership. What were board members' concerns about the partnership? Was there any debate?

(Notes: interviewee might mention "board members are concerned about maintaining local control", if that is the case, ask about the meaning of local control—is it having CICF manage their money, or engage in their grant-making? Is it about CICF's engagement in the leadership and fundraising activities? Is it about keeping their independent logo, names, and advertising materials?)

2. Interview Questions for Donors, Non-donors, and Residents

Open question: Could you please share some stories about yourself? I am interested in your relationship with [the name of the county], such as how long did you live here? When did you move to the community and why?

Part I. Interaction with the community foundation

The following questions are about your interaction with the community foundation.

1. Could you please tell whether you have heard of [name of the community foundation]? How much do you know about it?
2. How did you know about the community foundation?
3. Could you please tell me your involvement with the community foundation?
4. For donors only: Could you please walk me through the process how you decided to set up a fund for [purpose] through the community foundation? Why did you want to give to the community foundation?
   a. Do you think the sense of community is an important motivation for your giving?
   b. Compared to other nonprofit organizations, why do you think the idea of community foundation is attractive to you?

5. For non-donors only: What’s your concerns regarding giving to the community foundation?
    a. Have you engaged in any local nonprofit organizations? Which organizations have you engaged? What are your roles in these organizations?
    b. Do you feel belonging to the county?

6. Have you interacted with CICF or other financial institutions such as Fidelity to set up your philanthropic account?
    a. For donors (if applicable): why did you choose the community foundation over CICF and these financial institutions? OR why did you set up philanthropic accounts with both local foundations and CICF/financial institutions?
    a. For non-donors (if applicable): why did you think CICF/financial institutions is a better choice for you than local community foundations?

Part II. Philanthropic engagement

The following questions are about your philanthropic engagement in general

1. What other charities have you contributed to?
2. How did you select the nonprofit organizations that you gave to? Do you prefer giving to local organizations? For every dollar you gave, how many percentages do you think should go local?
3. What kind of organizations you would not give to?

Part III. Community identity

The following questions ask about your relationship with the community and identity.

1. What is the place that you feel most attached/belonging to?
2. Do you love the place you live in? Why or why not? What concerns do you have about this community?
3. Do you see the community you live as part of Indianapolis?
4. Do you want to have more engagement in the community? If yes, why is this important to you?
5. Do you feel belonging to any other social groups?

6. Do you feel more attached to [the place the interviewee identifies in question a] or [the social group the interviewee identified in question b]?

Notes: If donors are also board members, I added questions about their understanding of the rationales for giving/not giving and their perception on the challenges of the community foundations. The interview questions are adapted from the interview protocol for staff members.

3. Interview Questions for Community Informants and Residents

Open-up question: Could you please tell me about yourself, how long did you live here, and how did you feel about living here?

1. Could you please tell me about the county, what do you like about the place, and what concerns people have in the community?
2. Could you please tell me about the evolution of the county? What stand out for you as important changes? What draws people to the community?
3. Could you please describe to me the social relations in your community? For example, do you think your community is where everyone knows everyone? Do you think people know and interact with their neighbors?
4. I would like to ask about the relationships between different regions in your county:

    a. How is the county homogenous or diverse? Do you think the county is becoming more diverse over the years? How so? In what ways does that impact the cohesion in the county?

        i. Is there any religious diversity?

        ii. What about ethnic diversity?

        iii. What are the relationship between the agricultural community and other parts of the county?

    b. How cohesive the county is?

4. How do you see the relationship between your county and Indianapolis?

    a. Do most people living in your county work in Indianapolis?

    b. Do people see the county as part of Indianapolis? Why or why not?

c. Could you please me whether there is any competition or collaboration between the county and Indianapolis?

5. Do people identify county as their community? Why or why not?

5. Were there times in your region's history when wealth developed? Could you please me who own wealth in the county? Could you please tell me some visible donors in the county?

a. Are there wealthy farmers?

b. Are there wealthy ethnic minority people?

c. Are there wealthy people who do not belong to the mainstream religion here?

d. Are most wealthy people work in Indianapolis?

Appendix E. A Comparison of Indiana and Ohio

Figure E-5. Number of CFs in Indiana and Ohio, 1914-1989

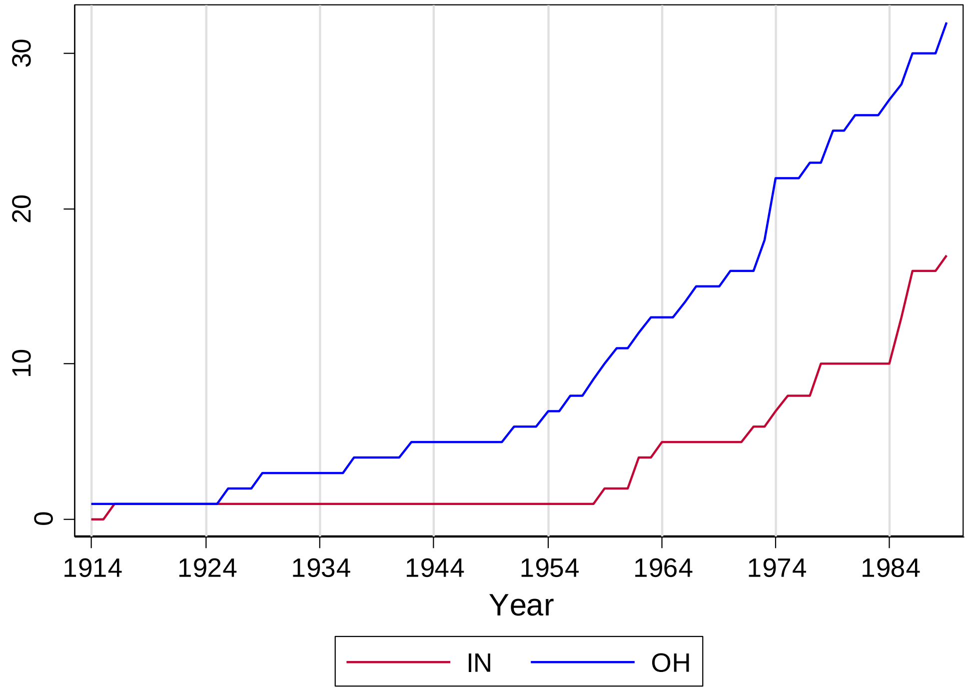


Figure E-6. Indiana GDP, 1998-2012

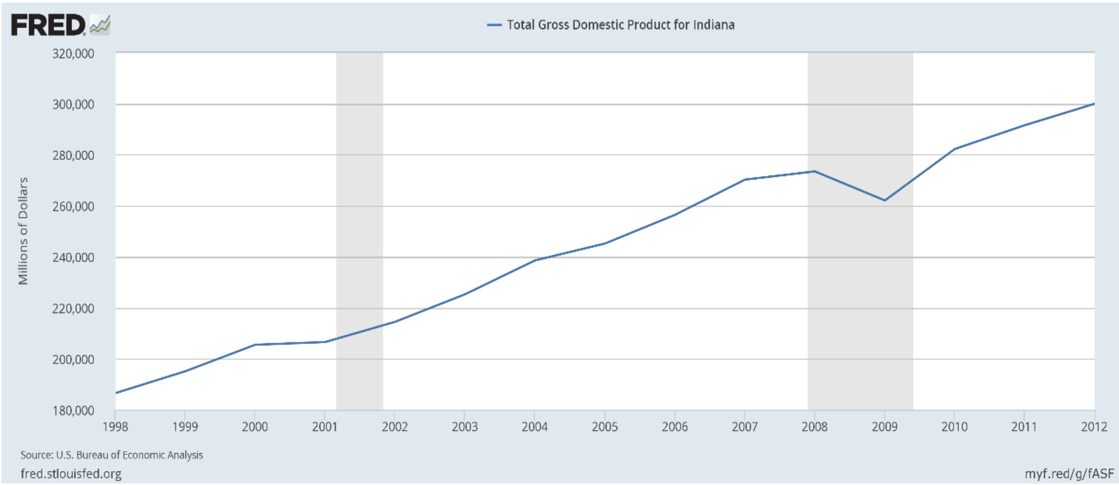
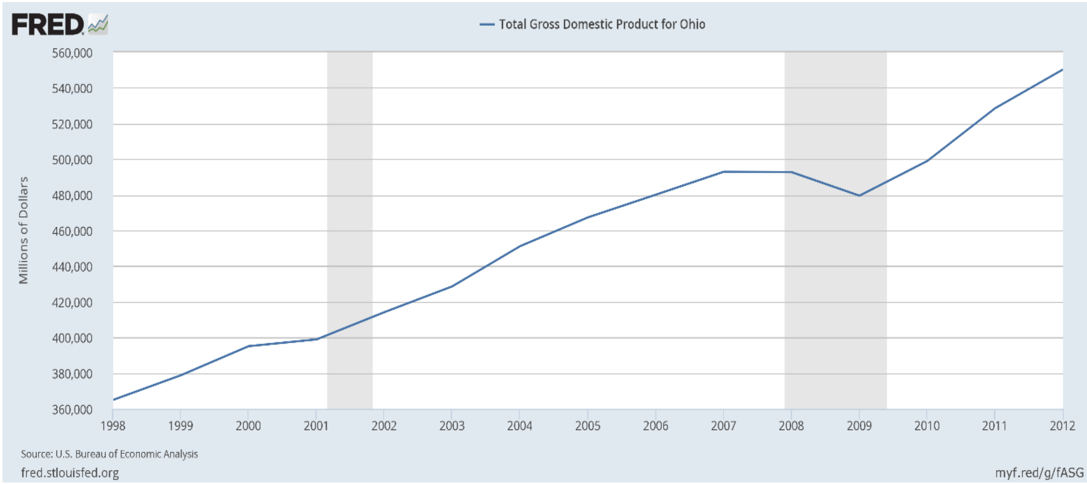


Figure E-7. Ohio GDP, 1998-2012



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